



FEDERAL REGISTER

Vol. 91 Friday,
No. 94 May 15, 2026

Pages 27831–28406

OFFICE OF THE FEDERAL REGISTER



The **FEDERAL REGISTER** (ISSN 0097-6326) is published daily, Monday through Friday, except official holidays, by the Office of the Federal Register, National Archives and Records Administration, under the Federal Register Act (44 U.S.C. Ch. 15) and the regulations of the Administrative Committee of the Federal Register (1 CFR Ch. I). The Superintendent of Documents, U.S. Government Publishing Office, is the exclusive distributor of the official edition. Periodicals postage is paid at Washington, DC.

The **FEDERAL REGISTER** provides a uniform system for making available to the public regulations and legal notices issued by Federal agencies. These include Presidential proclamations and Executive Orders, Federal agency documents having general applicability and legal effect, documents required to be published by act of Congress, and other Federal agency documents of public interest.

Documents are on file for public inspection in the Office of the Federal Register the day before they are published, unless the issuing agency requests earlier filing. For a list of documents currently on file for public inspection, see www.federalregister.gov.

The seal of the National Archives and Records Administration authenticates the **Federal Register** as the official serial publication established under the Federal Register Act. Under 44 U.S.C. 1507, the contents of the **Federal Register** shall be judicially noticed.

The **Federal Register** is published in paper and on 24x microfiche. It is also available online at no charge at www.govinfo.gov, a service of the U.S. Government Publishing Office.

The online edition of the **Federal Register** is issued under the authority of the Administrative Committee of the Federal Register as the official legal equivalent of the paper and microfiche editions (44 U.S.C. 4101 and 1 CFR 5.10). It is updated by 6:00 a.m. each day the **Federal Register** is published and includes both text and graphics from Volume 1, 1 (March 14, 1936) forward. For more information, contact the GPO Customer Contact Center, U.S. Government Publishing Office. Phone 202-512-1800 or 866-512-1800 (toll free). E-mail, gpocusthelp.com.

The annual subscription price for the **Federal Register** paper edition is \$860 plus postage, or \$929, for a combined **Federal Register**, **Federal Register** Index and List of CFR Sections Affected (LSA) subscription; the microfiche edition of the **Federal Register** including the **Federal Register** Index and LSA is \$330, plus postage. Six month subscriptions are available for one-half the annual rate. The prevailing postal rates will be applied to orders according to the delivery method requested. The price of a single copy of the daily **Federal Register**, including postage, is based on the number of pages: \$11 for an issue containing less than 200 pages; \$22 for an issue containing 200 to 400 pages; and \$33 for an issue containing more than 400 pages. Single issues of the microfiche edition may be purchased for \$3 per copy, including postage. Remit check or money order, made payable to the Superintendent of Documents, or charge to your GPO Deposit Account, VISA, MasterCard, American Express, or Discover. Mail to: U.S. Government Publishing Office—New Orders, P.O. Box 979050, St. Louis, MO 63197-9000; or call toll free 1-866-512-1800, DC area 202-512-1800; or go to the U.S. Government Online Bookstore site, see bookstore.gpo.gov.

There are no restrictions on the republication of material appearing in the **Federal Register**.

How To Cite This Publication: Use the volume number and the page number. Example: 91 FR 12345.

Postmaster: Send address changes to the Superintendent of Documents, Federal Register, U.S. Government Publishing Office, Washington, DC 20402, along with the entire mailing label from the last issue received.

SUBSCRIPTIONS AND COPIES

PUBLIC

Subscriptions:

Paper or fiche	202-512-1800
Assistance with public subscriptions	202-512-1806

General online information 202-512-1530; 1-888-293-6498

Single copies/back copies:

Paper or fiche	202-512-1800
Assistance with public single copies	1-866-512-1800 (Toll-Free)

FEDERAL AGENCIES

Subscriptions:

Assistance with Federal agency subscriptions:

Email	FRSubscriptions@nara.gov
Phone	202-741-6000

The Federal Register Printing Savings Act of 2017 (Pub. L. 115-120) placed restrictions on distribution of official printed copies of the daily **Federal Register** to members of Congress and Federal offices. Under this Act, the Director of the Government Publishing Office may not provide printed copies of the daily **Federal Register** unless a Member or other Federal office requests a specific issue or a subscription to the print edition. For more information on how to subscribe use the following website link: <https://www.gpo.gov/frsubs>.



Contents

Federal Register

Vol. 91, No. 94

Friday, May 15, 2026

Agriculture Department

See Rural Business-Cooperative Service

PROPOSED RULES

Modified Organisms Subject to the Plant Protection Act,
27868–27869

Centers for Disease Control and Prevention

NOTICES

Hearings, Meetings, Proceedings, etc.:

Advisory Board on Radiation and Worker Health,
National Institute for Occupational Safety and
Health, 27945–27946

Centers for Medicare & Medicaid Services

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals, 27961–27962

Medicare, Medicaid, and Children's Health Insurance
Programs:

Announcement of Nationwide Temporary Moratoria on
Enrollment of Home Health Agencies, 27954–27961

Announcement of Nationwide Temporary Moratorium on
Enrollment of Hospices, 27946–27954

Children and Families Administration

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals:

Child Care and Development Fund Consumer Education
Website and Reports of Serious Injuries and Death,
27962

Coast Guard

RULES

Special Local Regulation:

Miami Beach Air and Sea Show, Atlantic Ocean, Miami
Beach, FL, 27837

PROPOSED RULES

Special Local Regulation:

Marine Events within the USCG East District, 27881–
27884

Commerce Department

See Economic Development Administration

See Foreign-Trade Zones Board

See International Trade Administration

See National Oceanic and Atmospheric Administration

Committee for Purchase From People Who Are Blind or Severely Disabled

NOTICES

Procurement List; Additions and Deletions, 27927–27928

Defense Department

NOTICES

Charter Amendments, Establishments, Renewals and
Terminations:

Air University Board of Visitors, 27928–27930

Economic Development Administration

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals:
Non-Infrastructure Metrics, 27909–27910

Energy Department

See Federal Energy Regulatory Commission

See Southeastern Power Administration

NOTICES

Hearings, Meetings, Proceedings, etc.:

Environmental Management Site-Specific Advisory
Board, Portsmouth, 27931

Request for Information:

Industrial Technology Capital Connector, 27930–27931

Environmental Protection Agency

NOTICES

Environmental Impact Statements; Availability, etc., 27939

Export-Import Bank

NOTICES

Applications for Long-Term Loans or Financial Guarantees
in Excess of 100 Million Dollars, 27939–27940

Federal Aviation Administration

RULES

Airspace Designations and Reporting Points:

Fort Knox, KY, 27831–27832

Winnie, TX, 27832–27833

PROPOSED RULES

Airworthiness Directives:

Airbus Helicopters, 27873–27876

Diamond Aircraft Industries Inc. Airplanes, 27871–27873

Pilatus Aircraft Ltd. Airplanes, 27878–27881

Stemme GmbH Gliders, 27876–27878

Federal Communications Commission

RULES

Promoting the Integrity and Security of

Telecommunications Certification Bodies, Measurement
Facilities, and the Equipment Authorization Program,
27843–27849

PROPOSED RULES

Accessible Emergency Information, and Apparatus

Requirements for Emergency Information and Video
Description:

Implementation of the Twenty-First Century
Communications and Video Accessibility Act,
27895–27901

Auction of FM Broadcast Construction Permits Scheduled
for February 2, 2027 and Competitive Bidding
Procedures for Auction 114, 27887–27895

Promoting the Integrity and Security of

Telecommunications Certification Bodies, Measurement
Facilities, and the Equipment Authorization Program,
27884–27887

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals, 27940–27941

Meetings; Sunshine Act, 27941–27942

Federal Energy Regulatory Commission**NOTICES**

Application:

Marlow Hydro, LLC, 27934–27935

Combined Filings, 27932–27934, 27937–27938

Environmental Assessments; Availability, etc.:

Eagle Creek Sartell Hydro, LLC, 27932

Yuba County Water Agency, 27931–27932

Scoping Period:

Texas Gas Transmission, LP; Environmental Issues for the
Proposed Longwall Mining Panel M2 and M3 Project,
27935–27937**Federal Highway Administration****NOTICES**

Final Federal Agency Action:

Proposed Transportation Project in State Florida, 28097–
28098

Proposed Transportation Project in Utah, 28098–28099

Federal Mediation and Conciliation Service**NOTICES**Agency Information Collection Activities; Proposals,
Submissions, and Approvals:

Service Request Form, 27942–27945

Federal Railroad Administration**RULES**

Training, Qualification, and Oversight for Safety-Related

Railroad Employees, 27849–27867

PROPOSED RULES

Certification of Dispatchers, 27901–27904

Certification of Signal Employees, 27905–27908

Federal Reserve System**NOTICES**

Change in Bank Control:

Acquisitions of Shares of a Bank or Bank Holding
Company, 27945**Fish and Wildlife Service****NOTICES**Agency Information Collection Activities; Proposals,
Submissions, and Approvals:Federal Fish and Wildlife Permit Applications and
Reports—Management Authority, 27972–27975Horseshoe Crab and Cooperative Fish Tagging Programs,
27975–27977

Permits; Applications, Issuances, etc.:

Foreign Endangered Species, 27977–27979

Food and Drug Administration**NOTICES**

Final Debarment Order

Oscar Bobo, 27962–27964

Foreign Assets Control Office**NOTICES**

Sanctions Action, 28099–28105

Foreign-Trade Zones Board**NOTICES**

Proposed Production Activity:

Golden Pass LNG Terminal LLC, Foreign-Trade Zone 116,
Port Arthur, TX, 27910–27912**Geological Survey****NOTICES**Agency Information Collection Activities; Proposals,
Submissions, and Approvals:Nonindigenous Aquatic Species Sighting Reporting Form
and Alert Registration Form, 27979–27980**Health and Human Services Department***See* Centers for Disease Control and Prevention*See* Centers for Medicare & Medicaid Services*See* Children and Families Administration*See* Food and Drug Administration*See* Health Resources and Services Administration*See* National Institutes of Health**Health Resources and Services Administration****NOTICES**Agency Information Collection Activities; Proposals,
Submissions, and Approvals:Data System for Organ Procurement and Transplantation
Network, 27964–27968**Homeland Security Department***See* Coast Guard**NOTICES**Determination Pursuant to the Illegal Immigration Reform
and Immigrant Responsibility Act, 27969–27970**Housing and Urban Development Department****NOTICES**Agency Information Collection Activities; Proposals,
Submissions, and Approvals:Energy and Performance Information Center, 27971–
27972Moving to Work Amendment to Consolidated Annual
Contributions Contract, 27970–27971**Indian Affairs Bureau****NOTICES**

Helping Expedite and Advance Responsible Tribal

Homeownership Act Approval:

Buena Vista Rancheria of Me-Wuk Indians of California,
Leasing Ordinance, 27980–27981**Interior Department***See* Fish and Wildlife Service*See* Geological Survey*See* Indian Affairs Bureau*See* Ocean Energy Management Bureau**International Trade Administration****NOTICES**Agency Information Collection Activities; Proposals,
Submissions, and Approvals:Aluminum Import Monitoring and Analysis System,
27913–27914

Steel Import License, 27912–27913

Antidumping or Countervailing Duty Investigations, Orders,
or Reviews:Advance Notification of Sunset Review; Correction,
27913Certain Carbon and Alloy Steel Cut-To-Length Plate from
Belgium, 27922–27923Non-Refillable Steel Cylinders from the People's Republic
of China, 27918–27920Tapered Roller Bearings and Parts Thereof, Finished or
Unfinished from the People's Republic of China,
27920–27922

Procedures to Administer Import Adjustment Offset
Amounts for Certain Imports of Automobile Parts,
27914–27918

Justice Department

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals:
Annual Surveys of Probation and Parole, 27985–27986
Attorney General's Honors Program and Summer Law
Intern Program Electronic Applications, 27983–27985
Proposed Consent Decree:
CERCLA, 27985

Labor Department

See Occupational Safety and Health Administration
See Wage and Hour Division

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals:
Mine Rescue Teams; Arrangements for Emergency
Medical Assistance and Transportation for Injured
Persons; Agreements; Reporting Requirements;
Posting Requirements, 27986–27987

National Institutes of Health

NOTICES

Licenses; Exemptions, Applications, Amendments, etc.:
Government Owned Inventions; Synergistic Interactions
for Improved Cancer Treatment, 27968–27969

National Oceanic and Atmospheric Administration

NOTICES

Taking or Importing of Marine Mammals:
Alaska Department of Transportation and Public
Facilities Angoon Ferry Terminal Modification
Project in Angoon, AK, 27923–27925
Homer Harbor System Four Float Replacement Project,
27925–27926
Port of Adak Pier 5 Improvements Project at Adak Island,
AK, 27926–27927

Nuclear Regulatory Commission

PROPOSED RULES

Licensing Requirements for Microreactors and Other
Reactors with Comparable Risk Profiles, 27870–27871

NOTICES

Establishment of Atomic Safety and Licensing Board:
Constellation Energy Generation, LLC, 27992–27993
Staff Assessment:
Proposed Agreement between the Nuclear Regulatory
Commission and the State of Indiana, 27987–27992

Occupational Safety and Health Administration

NOTICES

Hearings, Meetings, Proceedings, etc.:
Hazard Communication Standard, 27987

Ocean Energy Management Bureau

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals:
Oil Spill Financial Responsibility for Offshore Facilities,
27981–27983

Postal Regulatory Commission

NOTICES

Competitive Postal Products, 27993–27995

New Postal Products, 27993

Postal Service

RULES

Domestic Competitive Products Pricing and Mailing
Standards Changes, 27837–27843

Railroad Retirement Board

NOTICES

Hearings, Meetings, Proceedings, etc.:
Actuarial Advisory Committee, 27995

Rural Business-Cooperative Service

NOTICES

Funding Opportunity:
Rural Business Developmental Grants for Fiscal Year
2026, 27909

Securities and Exchange Commission

NOTICES

Agency Information Collection Activities; Proposals,
Submissions, and Approvals, 28088–28089
Joint Industry Plan:
Extraordinary Market Volatility to Reflect the Name
Change of Nasdaq BX, Inc. to Nasdaq Texas LLC,
27995–27997
Self-Regulatory Organizations; Proposed Rule Changes:
24X National Exchange LLC, 28009–28032
Cboe BZX Exchange, Inc., 28056–28059
Financial Industry Regulatory Authority, Inc., 28064–
28086
MEMX LLC, 28033–28056, 28108–28156
Nasdaq GEMX, LLC, 28208–28256
Nasdaq ISE, LLC, 28158–28206
Nasdaq MRX, LLC, 27995
Nasdaq PHLX LLC, 28258–28306
Nasdaq Texas, LLC, 28358–28406
National Securities Clearing Corp., 28000–28004
New York Stock Exchange LLC, 27999–28000
NYSE American LLC, 27997–27999, 28059–28063
NYSE Arca, Inc., 28032–28033
NYSE National, Inc., 28004–28009
The Nasdaq Stock Market LLC, 28086–28088, 28308–
28356

Southeastern Power Administration

NOTICES

Proposed Rate Adjustment:
Jim Woodruff Project, 27938–27939

State Department

NOTICES

Bureau of Political-Military Affairs:
Directorate of Defense Trade Controls; Notifications to the
Congress of Proposed Commercial Export Licenses,
28090–28093
Culturally Significant Objects Imported for Exhibition:
Tarot! Renaissance Roots, Modern Visions, 28090
Department of State Sanctions Action, 28089–28090
Determination:
Extension of Waiver Authority, 28090

Surface Transportation Board

NOTICES

Acquisition of Control:
Student Transportation of America, Inc. et al., Tremblay's
Bus Co., LLC, et al., 28094–28095

Exemption:

Continuance in Control; OPSEU Pension Plan Trust Fund, Jaguar Transport Holdings, LLC, and Jaguar Rail Holdings, LLC, Northeast Atlanta Railroad, LLC, 28093–28094

Lease and Operation with Interchange Commitment; Northeast Atlanta Railroad, LLC, Norfolk Southern Railway Co., 28093

Trade Representative, Office of United States**NOTICES**

Hearings, Meetings, Proceedings, etc.:

Administration's Action Following a Determination of Import Injury with Regard to Quartz Surface Products, 28096–28097

Transportation Department

See Federal Aviation Administration

See Federal Highway Administration

See Federal Railroad Administration

Treasury Department

See Foreign Assets Control Office

Veterans Affairs Department**NOTICES**

Agency Information Collection Activities; Proposals, Submissions, and Approvals:

VA Health Professional Scholarship Programs, 28105–28106

Wage and Hour Division**RULES**

Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees; Implementation of Federal Court Judgments, 27833–27837

Separate Parts In This Issue**Part II**

Securities and Exchange Commission, 28108–28156

Part III

Securities and Exchange Commission, 28158–28206

Part IV

Securities and Exchange Commission, 28208–28256

Part V

Securities and Exchange Commission, 28258–28306

Part VI

Securities and Exchange Commission, 28308–28356

Part VII

Securities and Exchange Commission, 28358–28406

Reader Aids

Consult the Reader Aids section at the end of this issue for phone numbers, online resources, finding aids, and notice of recently enacted public laws.

To subscribe to the Federal Register Table of Contents electronic mailing list, go to <https://public.govdelivery.com/accounts/USGPOOFR/subscriber/new>, enter your e-mail address, then follow the instructions to join, leave, or manage your subscription.

CFR PARTS AFFECTED IN THIS ISSUE

A cumulative list of the parts affected this month can be found in the Reader Aids section at the end of this issue.

7 CFR**Proposed Rules:**

330.....27868
340.....27868

10 CFR**Proposed Rules:**

1.....27870
2.....27870
10.....27870
11.....27870
19.....27870
20.....27870
21.....27870
25.....27870
26.....27870
30.....27870
40.....27870
50.....27870
51.....27870
57.....27870
70.....27870
72.....27870
73.....27870
74.....27870
75.....27870
95.....27870
140.....27870
150.....27870

14 CFR

71 (2 documents) 27831,
27832

Proposed Rules:

39 (4 documents) 27871,
27873, 27876, 27878

29 CFR

541.....27833

33 CFR

100.....27837

Proposed Rules:

100.....27881

39 CFR

111.....27837

47 CFR

2.....27843

Proposed Rules:

1 (2 documents) 27884,
27887
2.....27884
73.....27887
79.....27895

49 CFR

243.....27849

Proposed Rules:

245.....27901
246.....27905

Rules and Regulations

Federal Register

Vol. 91, No. 94

Friday, May 15, 2026

This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

The Code of Federal Regulations is sold by the Superintendent of Documents.

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA–2026–3074; Airspace Docket No. 26–ASO–5]

RIN 2120–AA66

Amendment of Class D and Class E Airspace and Revoke Class E Airspace; Fort Knox, KY

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action amends the Class D and Class E airspace and revokes Class E airspace at Fort Knox, KY. This action is the result of a biennial airspace review conducted due to the decommissioning of the Godman non-directional beacon (NDB). The geographic coordinates of Godman AAF (Army Air Field), Fort Knox, KY, are also being updated to coincide with the FAA's aeronautical database. This action brings the airspace into compliance with FAA orders and supports instrument flight rule (IFR) procedures and operations.

DATES: Effective 0901 UTC, September 3, 2026. The Director of the Federal Register approves this incorporation by reference action under 1 CFR part 51, subject to the annual revision of FAA Order JO 7400.11 and publication of conforming amendments.

ADDRESSES: A copy of the notice of proposed rulemaking (NPRM), all comments received, this final rule, and all background material may be viewed online at www.regulations.gov using the FAA Docket number. Electronic retrieval help and guidelines are available on the website. It is available 24 hours each day, 365 days each year. An electronic copy of this document may also be downloaded from www.federalregister.gov.

FAA Order JO 7400.11K, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at www.faa.gov/air_traffic/publications/. You may also contact the Rules and Regulations Group, Office of Policy, Federal Aviation Administration, 800 Independence Avenue SW, Washington DC 20591; telephone: (202) 267–8783.

FOR FURTHER INFORMATION CONTACT: Jeffrey Claypool, Federal Aviation Administration, Operations Support Group, Central Service Center, 10101 Hillwood Parkway, Fort Worth, TX 76177; telephone (817) 222–5711.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA's authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency's authority. This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This regulation is within the scope of that authority as it amends the Class D and Class E airspace and revokes Class E airspace at the affected airport to support IFR operations.

History

The FAA published an NPRM for Docket No. FAA–2026–3074 in the **Federal Register** (91 FR 12514; March 16, 2026) proposing to amend the Class D and Class E airspace and revoke Class E airspace at Fort Knox, KY. Interested parties were invited to participate in this rulemaking effort by submitting written comments on the proposal to the FAA. No comments were received.

Incorporation by Reference

Class D and E airspace designations are published in paragraphs 5000, 6002, 6004, and 6005 of FAA Order JO 7400.11, Airspace Designations and Reporting Points, which is incorporated by reference in 14 CFR 71.1 on an annual basis. This document amends the current version of that order, FAA Order JO 7400.11K, dated August 4,

2025, and effective September 15, 2025. These amendments will be published in the next update to FAA Order JO 7400.11. FAA Order JO 7400.11K, which lists Class A, B, C, D, and E airspace areas, air traffic service routes, and reporting points, is publicly available as listed in the **ADDRESSES** section of this document.

The Rule

This action amends 14 CFR part 71 by modifying the Class D airspace, Class E surface airspace, and Class E airspace extending upward from 700 ft. above the surface, and revokes the Class E airspace designated as an extension to Class D and Class E surface areas at Fort Knox, KY, due to a biennial airspace review due to the decommissioning of the Godman NDB.

For the Godman AAF, Fort Knox, KY, Class D airspace, this action: (1) increases the radius from 3.9 miles to 4.6 miles; (2) updates the geographic coordinates of the airport to coincide with the FAA's aeronautical database; and (3) removes the unnecessary language, “(previously called Airport/Facility Directory)” from the airspace legal description.

For the Godman AAF Class E surface area, this action: (1) increases the radius from 3.9 miles to 4.6 miles; (2) updates the geographic coordinates of the airport to coincide with the FAA's aeronautical database; and (3) removes the unnecessary language, “(previously called Airport/Facility Directory)” from the airspace legal description.

For the Godman AAF Class E airspace designated as an extension to Class D and Class E surface areas, this action revokes the airspace as it is no longer required.

For the Godman AAF Class E airspace extending upward from 700 ft. above the surface, this action: (1) increases the radius from 6.3-miles to 7 miles; (2) removes the Godman NDB and associated extension from the airspace legal description as the NDB has been decommissioned and the extension is no longer required; and (3) updates the geographic coordinates of the airport to coincide with the FAA's aeronautical database.

Regulatory Notices and Analyses

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are

necessary to keep them operationally current. It, therefore: (1) is not a “significant regulatory action” under Executive Order 12866; (2) is not a “significant rule” under DOT Order 2100.6B, “Policies and Procedures for Rulemakings” (March 10, 2025); and (3) is expected to result in, at most, de minimis costs from compliance with applicable operating requirements or minor flight rerouting for operators choosing to navigate around the controlled airspace. Since these amendments are routine and the expected impact to operators is de minimis, the FAA certifies that this rule, when promulgated, does not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Environmental Review

The FAA has determined that this action qualifies for categorical exclusion under the National Environmental Policy Act in accordance with FAA Order 1050.1G, “FAA National Environmental Policy Act Implementing Procedures,” Paragraph B–2.5(a). This airspace action is not expected to cause any potentially significant environmental impacts, and no extraordinary circumstances exist that warrant preparation of an environmental assessment.

Lists of Subjects in 14 CFR 71

Airspace, Incorporation by reference, Navigation (air).

The Amendment

In consideration of the foregoing, the Federal Aviation Administration amends 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, B, C, D, AND E AIRSPACE AREAS; AIR TRAFFIC SERVICE ROUTES; AND REPORTING POINTS

■ 1. The authority citation for 14 CFR part 71 continues to read as follows:

Authority: 49 U.S.C. 106(f), 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389.

§ 71.1 [Amended]

■ 2. The incorporation by reference in 14 CFR 71.1 of FAA Order JO 7400.11K, Airspace Designations and Reporting Points, dated August 4, 2025, and effective September 15, 2025, is amended as follows:

Paragraph 5000 Class D Airspace.

* * * * *

ASO KY D Fort Knox, KY [Amended]
Godman AAF, KY

(Lat. 37°54′25″ N, long. 085°58′19″ W)

That airspace extending upward from the surface to and including 3,300 feet MSL within a 4.6-mile radius of Godman AAF. This Class D airspace area is effective during the specific dates and times established in advance by a Notice to Airmen. The effective dates and times will thereafter be continuously published in the Chart Supplement.

* * * * *

Paragraph 6002 Class E Airspace Areas Designated as Surface Areas.

* * * * *

ASO KY E2 Fort Knox, KY [Amended]

Godman AAF, KY

(Lat. 37°54′25″ N, long. 085°58′19″ W)

Within a 4.6-mile radius of Godman AAF. This Class E airspace area is effective during the specific dates and times established in advance by a Notice to Airmen. The effective dates and times will thereafter be continuously published in the Chart Supplement.

* * * * *

Paragraph 6004 Class E Airspace Areas Designated as an Extension to a Class D or Class E Surface Area.

* * * * *

ASO KY E4 Fort Knox, KY [Removed]

* * * * *

Paragraph 6005 Class E Airspace Areas Extending Upward From 700 Feet or More Above the Surface of the Earth.

* * * * *

ASO KY E5 Fort Knox, KY [Amended]

Godman AAF, KY

(Lat. 37°54′25″ N, long. 085°58′19″ W)

That airspace extending upward from 700 feet above the surface within a 7-mile radius of Godman AAF.

* * * * *

Issued in Fort Worth, Texas, on May 13, 2026.

Courtney E. Johns,

*Acting Manager, Operations Support Group,
ATO Central Service Center.*

[FR Doc. 2026–09775 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

**[Docket No. FAA–2025–1238; Airspace
Docket No. 25–ASW–5]**

RIN 2120–AA66

Establishment of Class E Airspace; Winnie, TX

AGENCY: Federal Aviation
Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action establishes Class E airspace at Griffith Ranch Airport, Winnie, TX. This action supports new instrument procedures and instrument flight rule (IFR) operations.

DATES: Effective 0901 UTC, October 29, 2026. The Director of the Federal Register approves this incorporation by reference action under 1 CFR part 51, subject to the annual revision of FAA Order JO 7400.11 and publication of conforming amendments.

ADDRESSES: A copy of the notice of proposed rulemaking (NPRM), all comments received, this final rule, and all background material may be viewed online at www.regulations.gov using the FAA Docket number. Electronic retrieval help and guidelines are available on the website. It is available 24 hours each day, 365 days each year. An electronic copy of this document may also be downloaded from www.federalregister.gov.

FAA Order JO 7400.11K, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at www.faa.gov/air_traffic/publications/. You may also contact the Rules and Regulations Group, Office of Policy, Federal Aviation Administration, 800 Independence Avenue SW, Washington DC 20591; telephone: (202) 267–8783.

FOR FURTHER INFORMATION CONTACT: Raul Garza Jr., Federal Aviation Administration, Operations Support Group, Central Service Center, 10101 Hillwood Parkway, Fort Worth, TX 76177; telephone (817) 222–5874.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA’s authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency’s authority. This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This regulation is within the scope of that authority as it establishes Class E airspace extending upward from 700 feet above the surface at Griffith Ranch Airport, Winnie, TX, to support IFR operations at this airport.

History

The FAA published an NPRM for Docket No. FAA–2025–1238 in the

Federal Register (91 FR 14486; March 25, 2026) proposing to establish Class E airspace at Griffith Ranch Airport, Winnie, TX. Interested parties were invited to participate in this rulemaking effort by submitting written comments on the proposal to the FAA. No comments were received.

Incorporation by Reference

Class E airspace designations are published in paragraph 6005 of FAA Order JO 7400.11, Airspace Designations and Reporting Points, which is incorporated by reference in 14 CFR 71.1 on an annual basis. This document amends the current version of that order, FAA Order JO 7400.11K, dated August 4, 2025, and effective September 15, 2025. These amendments will be published in the next update to FAA Order JO 7400.11. FAA Order JO 7400.11K, which lists Class A, B, C, D, and E airspace areas, air traffic service routes, and reporting points, is publicly available as listed in the **ADDRESSES** section of this document.

The Rule

This action modifies 14 CFR part 71 by establishing Class E airspace extending upward from 700 feet above the surface within a 6.6-mile radius of Griffith Ranch Airport, Winnie, TX. This action is the result of instrument procedures being developed for this airport to support IFR operations.

Regulatory Notices and Analyses

The FAA has determined that this regulation only involves an established body of technical regulations for which frequent and routine amendments are necessary to keep them operationally current. It, therefore: (1) is not a “significant regulatory action” under Executive Order 12866; (2) is not a “significant rule” under DOT Order 2100.6B, “Rulemaking and Guidance Procedure” (March 10, 2025); and (3) is expected to result in, at most, de minimis costs from compliance with applicable operating requirements or minor flight rerouting for operators choosing to navigate around the controlled airspace. Since these amendments are routine and the expected impact to operators is de minimis, the FAA certifies that this rule, when promulgated, does not have a significant economic impact on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

Environmental Review

The FAA has determined that this action qualifies for categorical exclusion under the National Environmental

Policy Act in accordance with FAA Order 1050.1G, “FAA National Environmental Policy Act Implementing Procedures,” paragraph B–2.5(a), which categorically excludes from further environmental impact review rulemaking actions that designate or modify classes of airspace areas, airways, routes, and reporting points (see 14 CFR part 71, Designation of Class A, B, C, D, and E Airspace Areas; Air Traffic Service Routes; and Reporting Points); and paragraph B–2.5(k), which categorically excludes from further environmental impact review the publication of existing air traffic control procedures that do not essentially change existing tracks, create new tracks, change altitude, or change concentration of aircraft on these tracks. As such, this action is not expected to result in any potentially significant environmental impacts, and no extraordinary circumstances exist that warrant preparation of an environmental assessment.

Lists of Subjects in 14 CFR 71

Airspace, Incorporation by reference, Navigation (air).

The Amendment

In consideration of the foregoing, the Federal Aviation Administration amends 14 CFR part 71 as follows:

PART 71—DESIGNATION OF CLASS A, B, C, D, AND E AIRSPACE AREAS; AIR TRAFFIC SERVICE ROUTES; AND REPORTING POINTS

■ 1. The authority citation for 14 CFR part 71 continues to read as follows:

Authority: 49 U.S.C. 106(f), 106(g), 40103, 40113, 40120; E.O. 10854, 24 FR 9565, 3 CFR, 1959–1963 Comp., p. 389.

§ 71.1 [Amended]

■ 2. The incorporation by reference in 14 CFR 71.1 of FAA Order JO 7400.11K, Airspace Designations and Reporting Points, dated August 4, 2025, and effective September 15, 2025, is amended as follows:

Paragraph 6005 Class E Airspace Areas Extending Upward From 700 Feet or More Above the Surface of the Earth.

* * * * *

ASW TX E5 Winnie, TX [Establish]

Griffith Ranch Airport, TX
(Lat. 29°51′21″ N, long. 94°21′11″ W)

That airspace extending upward from 700 feet above the surface within a 6.6-mile radius of the Griffith Ranch Airport.

* * * * *

Issued in Fort Worth, Texas, on May 13, 2026.

Jerry J. Creecy,

*Acting Manager, Operations Support Group,
ATO Central Service Center.*

[FR Doc. 2026–09802 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF LABOR

Wage and Hour Division

29 CFR Part 541

[Docket No. WHD–2026–0100]

RIN 1235–AA57

Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees; Implementation of Federal Court Judgments

AGENCY: Wage and Hour Division, Department of Labor.

ACTION: Final rule; technical amendment.

SUMMARY: This document implements the judgments of federal courts vacating the Department of Labor’s (Department) 2024 final rule revising regulations issued under the Fair Labor Standards Act (FLSA or Act) implementing the exemptions from minimum wage and overtime pay requirements for executive, administrative, professional, outside sales, and computer employees. Through this technical amendment, the Department is removing from the Code of Federal Regulations (CFR) the regulatory text from the now-vacated 2024 rule and republishing in its place the regulatory text as it existed prior to the effective date of that rule.

DATES: This rule is effective May 15, 2026.

FOR FURTHER INFORMATION CONTACT: Daniel Navarrete, Director of Division of Regulations, Legislation, and Interpretation, Wage and Hour Division, U.S. Department of Labor, Room S–3502, 200 Constitution Avenue NW, Washington, DC 20210, telephone: (202) 693–0406 (this is not a toll-free number). Alternative formats are available upon request by calling 1–866–487–9243. If you are deaf, hard of hearing, or have a speech disability, please dial 7–1–1 to access telecommunications relay services.

SUPPLEMENTARY INFORMATION:

I. Background

A. The FLSA and the Part 541 Regulations

The FLSA generally requires covered employers to pay employees at least the federal minimum wage for all hours worked and overtime at a rate of not less than one and one-half times the employee's regular rate of pay for all hours worked over 40 in a workweek.¹ The FLSA includes a number of exemptions from its wage and hour requirements, including section 13(a)(1), which exempts "any employee employed in a bona fide executive, administrative, or professional capacity . . . or in the capacity of [an] outside salesman (as such terms are defined and delimited from time to time by regulations of the Secretary [of Labor], subject to the provisions of [the Administrative Procedure Act] . . .)." ² These FLSA exemptions are commonly known as the "white collar" or "EAP" exemptions.

Pursuant to its explicit rulemaking authority, the Department has long maintained regulations that generally require each of the following three tests to be met for an employee to be exempt: (1) the employee's job duties must primarily involve executive, administrative, or professional duties as defined by the regulations (the duties test); (2) the employee must be paid a predetermined and fixed salary that is not subject to reduction because of variations in the quality or quantity of work performed (the salary basis test); and (3) the amount of salary paid must meet a minimum specified amount (the salary level test).³ See generally 29 CFR part 541. In 2004, the Department created an alternative test for highly compensated employees (the "HCE test"), pairing a reduced job duties requirement with an annual earnings threshold substantially higher than the standard salary level requirement.⁴

On September 27, 2019, the Department published a final rule to increase the part 541 earnings thresholds from those set in the Department's 2004 rule.⁵ As relevant here, that rule raised the salary level from \$455 per week to \$684 per week (equivalent to \$35,568 per year for a full-year worker).⁶ The rule also raised the HCE test's total annual

compensation requirement from \$100,000 per year to \$107,432 per year (of which \$684 per week must be paid on a salary or fee basis).⁷ The 2019 rule took effect on January 1, 2020; the salary level itself was not challenged.⁸

B. 2024 Part 541 Rule

Four years later, on April 26, 2024, the Department published a final rule to again raise the part 541 earnings thresholds (2024 rule).⁹ The 2024 rule featured two increases to the standard salary level and the HCE total annual compensation threshold, with the salary level slated to increase to \$844 per week on July 1, 2024, further rise to \$1,128 per week on January 1, 2025, and the HCE total annual compensated level to increase to \$132,964 and \$151,164 on these respective dates. The rule also provided for automatic triennial updates to the earnings thresholds. The 2024 rule took effect on July 1, 2024 (except as applied to the State of Texas in its capacity as an employer).¹⁰

C. Judicial Vacatur of the 2024 Rule

Four lawsuits challenged the 2024 rule: one filed by the State of Texas and one by a group of 13 business plaintiffs in the U.S. District Court for the Eastern District of Texas (these were subsequently consolidated into one case); one commenced by a business plaintiff, Flint Avenue, LLC, in the U.S. District Court for the Northern District of Texas; and one initiated by the Association of Christian Schools International, initially filed in the U.S. District Court for the Middle District of Tennessee and subsequently transferred to the U.S. District Court for the District of Columbia.¹¹ On November 15, 2024, the U.S. District Court for the Eastern District of Texas issued an order vacating the 2024 rule in *Texas v. U.S. Dep't of Labor*, 756 F. Supp. 3d 361 (E.D. Tex. 2024). On December 30, 2024, the U.S. District Court for the Northern District of Texas likewise issued an order vacating the 2024 rule in *Flint*

Avenue, LLC v. U.S. Dep't of Labor, No. 5:24-cv-00130-C, Dkt. No. 62. These orders remain final judgments following the dismissal of the appeal in each case by the U.S. Court of Appeals for the Fifth Circuit on May 5 and 7, 2026, respectively.¹² In light of these judgments, the operative version of the Department's part 541 regulations is the version of these regulations that was in place on June 30, 2024, prior to the effective date of the 2024 rule, and which the Department has been enforcing.

Accordingly, to implement these judicial decisions, this final rule amends the Department's part 541 regulations to reinstate the regulatory text promulgated in the 2019 final rule, as it appeared in the CFR immediately prior to the effective date of the 2024 rule. Put simply, this action is a technical correction accounting for changes in the law that have already occurred.

II. Procedural and Other Matters

Section 553(b)(B) of the Administrative Procedure Act (APA) provides that an agency is not required to publish a notice of proposed rulemaking in the **Federal Register** and solicit public comments when the agency has good cause to find that doing so would be "impracticable, unnecessary, or contrary to the public interest."¹³ The Department finds that good cause exists to dispense with public notice-and-comment rulemaking procedures in this final rule, inasmuch as this final rule merely conforms the text in the CFR to reflect the courts' vacatur of the 2024 rule by removing the 2024 rule regulatory text and replacing it with the text from the 2019 rule. Because the Department is merely giving effect to the courts' orders and is not exercising discretion with respect to this action (*i.e.*, it is simply republishing in the CFR the regulatory text that existed prior to the 2024 rule), any notice and comment process would be unnecessary.¹⁴

Section 553(d) of the APA provides that substantive rules should take effect not less than 30 days after the date they are published in the **Federal Register** unless "otherwise provided by the agency for good cause found[.]"¹⁵ The

⁷ See *id.* at 51250.

⁸ Although a lawsuit was filed challenging the 2019 rule, that case ultimately concerned the Department's authority to have a salary level test, not the level set in that rule. See *Mayfield v. U.S. Dep't of Lab.*, 117 F.4th 611, 615 (5th Cir. 2024).

⁹ 89 FR 32842.

¹⁰ See *id.* In *Texas v. U.S. Dep't of Labor*, 738 F. Supp. 3d 807 (E.D. Tex. 2024), the court preliminarily enjoined the Department from implementing and enforcing the 2024 rule against the State of Texas in its capacity as an employer.

¹¹ See *Ass'n of Christian Schs. Int'l v. U.S. Dep't of Lab.*, No. 24-cv-00984, Dkt. No. 20 (M.D. Tenn. Sept. 11, 2024) (granting joint motion to transfer). The case was ultimately dismissed on May 7, 2026. *Ass'n of Christian Schs. Int'l v. U.S. Dep't of Lab.*, No. 24-cv-02618, Dkt. No. 51 (D.D.C.) (dismissal filing).

¹² See *Texas v. U.S. Dep't of Lab.*, No. 24-40777, Dkt. No. 82 (5th Cir. May 5, 2026) (order dismissing appeal); *Flint Ave., LLC v. U.S. Dep't of Lab.*, No. 25-10349, Dkt. No. 58 (5th Cir. May 7, 2026) (same).

¹³ 5 U.S.C. 553(b)(B).

¹⁴ The Department's issuance of this technical amendment to ensure that the CFR is now accurate does not foreclose the Department from engaging in notice and comment rulemaking in the future to update the part 541 regulations.

¹⁵ 5 U.S.C. 553(d)(3).

¹ See 29 U.S.C. 206(a), 207(a).

² 29 U.S.C. 213(a)(1).

³ The salary basis and salary level tests do not apply to doctors, lawyers, teachers, and outside sales employees. See 29 CFR 541.303(d), 541.304(d), 541.500(c).

⁴ See 69 FR 22122, 22172 (Apr. 23, 2004).

⁵ 84 FR 51230.

⁶ See *id.* at 51238.

Department finds that it has good cause to make this rule effective immediately upon publication. As discussed above, this rule merely updates the CFR to reflect the courts' vacatur of the 2024 rule. Accordingly, the Department determines that a delayed effective date is unnecessary, because the court orders vacating the 2024 rule are already operative. Delaying the ministerial act of removing the regulatory text of the vacated rule and restoring the operative regulatory text in the CFR could also lead to confusion among the public about the state of the law as mandated by courts. Delay could, for example, mislead employees and employers who consult the CFR to learn about their rights and responsibilities under the FLSA. To avoid such confusion, it is in the public interest that the Department correct the CFR to reflect the courts' orders as expeditiously as possible following the conclusion of the above-mentioned litigation.

The Office of Information and Regulatory Affairs has determined that this technical amendment is not significant for purposes of Executive Orders 12866 and 13563. Additionally, no analysis is required under the Regulatory Flexibility Act because, for the reasons discussed above, the Department is not required to engage in notice and comment under the APA.¹⁶ This technical amendment does not implicate the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 1531 *et seq.*, as it does not result in the expenditure of \$100,000,000 or more (adjusted annually for inflation) in any one year by State, local, and tribal governments, in the aggregate, or by the private sector. This technical amendment does not have significant federalism implications under Executive Order 13132, and it is not subject to the requirements of the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*), because it does not contain a collection of information as defined in 44 U.S.C. 3502(3).

The Congressional Review Act (CRA), 5 U.S.C. 801 *et seq.*, generally provides that before certain actions may take effect, the agency promulgating the action must submit a report, which includes a copy of the action, to each House of the Congress and to the Comptroller General of the United States. This technical amendment is not a "major rule" for CRA purposes, *see* 5 U.S.C. 804(2), but rather is administrative in nature and only

implements the district courts' rulings, and thus is not subject to the 60-day delayed effective date generally prescribed for major rules, *see* 5 U.S.C. 801(a)(3). In addition, as discussed above, the Department has determined that good cause exists to issue this technical amendment without notice-and-comment procedures. Pursuant to 5 U.S.C. 808(2), this technical amendment is thus not subject to the CRA's timing requirements.

List of Subjects in 29 CFR Part 541

Labor, Minimum wages, Overtime pay, Salaries, Teachers, Wages.

For the reasons stated in the preamble, the Wage and Hour Division, Department of Labor, amends 29 CFR part 541 as follows:

PART 541—DEFINING AND DELIMITING THE EXEMPTIONS FOR EXECUTIVE, ADMINISTRATIVE, PROFESSIONAL, COMPUTER AND OUTSIDE SALES EMPLOYEES

- 1. The authority citation for part 541 continues to read as follows:

Authority: 29 U.S.C. 213; Pub. L. 101–583, 104 Stat. 2871; Reorganization Plan No. 6 of 1950 (3 CFR, 1945–53 Comp., p. 1004); Secretary's Order 01–2014 (Dec. 19, 2014), 79 FR 77527 (Dec. 24, 2014).

- 2. Remove § 541.5:

§ 541.5 [Removed]

- 3. Amend § 541.100 by revising paragraph (a)(1) to read as follows:

§ 541.100 General rule for executive employees.

(a) * * *

(1) Compensated on a salary basis pursuant to § 541.600 at a rate of not less than \$684 per week (or \$455 per week if employed in the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands by employers other than the Federal government, or \$380 per week if employed in American Samoa by employers other than the Federal government), exclusive of board, lodging or other facilities;

* * * * *

- 4. Amend § 541.200 by revising paragraph (a)(1) to read as follows:

§ 541.200 General rule for administrative employees.

(a) * * *

(1) Compensated on a salary or fee basis pursuant to § 541.600 at a rate of not less than \$684 per week (or \$455 per week if employed in the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands by employers other than the Federal

government, or \$380 per week if employed in American Samoa by employers other than the Federal government), exclusive of board, lodging or other facilities;

* * * * *

- 5. Amend § 541.204 by revising paragraph (a)(1) to read as follows:

§ 541.204 Educational establishments.

(a) * * *

(1) Compensated on a salary or fee basis at a rate of not less than \$684 per week (or \$455 per week if employed in the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands by employers other than the Federal government, or \$380 per week if employed in American Samoa by employers other than the Federal government), exclusive of board, lodging, or other facilities; or on a salary basis which is at least equal to the entrance salary for teachers in the educational establishment by which employed; and

* * * * *

- 6. Amend § 541.300 by revising paragraph (a)(1) to read as follows:

§ 541.300 General rule for professional employees.

(a) * * *

(1) Compensated on a salary or fee basis pursuant to § 541.600 at a rate of not less than \$684 per week (or \$455 per week if employed in the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands by employers other than the Federal government, or \$380 per week if employed in American Samoa by employers other than the Federal government), exclusive of board, lodging or other facilities; and

* * * * *

- 7. Amend § 541.400 by revising the first sentence of paragraph (b) to read as follows:

§ 541.400 General rule for computer employees.

* * * * *

(b) The section 13(a)(1) exemption applies to any computer employee who is compensated on a salary or fee basis at a rate of not less than \$684 per week (or \$455 per week if employed in the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands by employers other than the Federal government, or \$380 per week if employed in American Samoa by employers other than the Federal government), exclusive of board, lodging, or other facilities. * * *

* * * * *

- 8. Revise § 541.600 to read as follows:

¹⁶ See 5 U.S.C. 601(2) (defining rules requiring a regulatory flexibility analysis); *id.* at 604(a) (requiring final regulatory flexibility analysis for rules where the agency was "required . . . to publish a general notice of proposed rulemaking").

§ 541.600 Amount of salary required.

(a) To qualify as an exempt executive, administrative or professional employee under section 13(a)(1) of the Act, an employee must be compensated on a salary basis at a rate of not less than \$684 per week (or \$455 per week if employed in the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands by employers other than the Federal Government, or \$380 per week if employed in American Samoa by employers other than the Federal Government), exclusive of board, lodging or other facilities. Administrative and professional employees may also be paid on a fee basis, as defined in § 541.605.

(b) The required amount of compensation per week may be translated into equivalent amounts for periods longer than one week. For example, the \$684-per-week requirement will be met if the employee is compensated biweekly on a salary basis of not less than \$1,368, semimonthly on a salary basis of not less than \$1,482, or monthly on a salary basis of not less than \$2,964. However, the shortest period of payment that will meet this compensation requirement is one week.

(c) In the case of academic administrative employees, the compensation requirement also may be met by compensation on a salary basis at a rate at least equal to the entrance salary for teachers in the educational establishment by which the employee is employed, as provided in § 541.204(a)(1).

(d) In the case of computer employees, the compensation requirement also may be met by compensation on an hourly basis at a rate not less than \$27.63 an hour, as provided in § 541.400(b).

(e) In the case of professional employees, the compensation requirements in this section shall not apply to employees engaged as teachers (*see* § 541.303); employees who hold a valid license or certificate permitting the practice of law or medicine or any of their branches and are actually engaged in the practice thereof (*see* § 541.304); or to employees who hold the requisite academic degree for the general practice of medicine and are engaged in an internship or resident program pursuant to the practice of the profession (*see* § 541.304). In the case of medical occupations, the exception from the salary or fee requirement does not apply to pharmacists, nurses, therapists, technologists, sanitarians, dietitians, social workers, psychologists,

psychometrists, or other professions which service the medical profession.

■ 9. Amend § 541.601 by revising paragraphs (a) and (b)(1) and (b)(2) to read as follows:

§ 541.601 Highly compensated employees.

(a)(1) Beginning on January 1, 2020, an employee with total annual compensation of at least \$107,432 is deemed exempt under section 13(a)(1) of the Act if the employee customarily and regularly performs any one or more of the exempt duties or responsibilities of an executive, administrative or professional employee as identified in subparts B, C or D of this part.

(2) Where the annual period covers periods both prior to and after January 1, 2020, the amount of total annual compensation due will be determined on a proportional basis.

(b)(1) "Total annual compensation" must include at least \$684 per week paid on a salary or fee basis as set forth in §§ 541.602 and 541.605, except that § 541.602(a)(3) shall not apply to highly compensated employees. Total annual compensation may also include commissions, nondiscretionary bonuses and other nondiscretionary compensation earned during a 52-week period. Total annual compensation does not include board, lodging and other facilities as defined in § 541.606, and does not include payments for medical insurance, payments for life insurance, contributions to retirement plans and the cost of other fringe benefits.

(2) If an employee's total annual compensation does not total at least the amount specified in the applicable subsection of paragraph (a) by the last pay period of the 52-week period, the employer may, during the last pay period or within one month after the end of the 52-week period, make one final payment sufficient to achieve the required level. For example, for a 52-week period beginning January 1, 2020, an employee may earn \$90,000 in base salary, and the employer may anticipate based upon past sales that the employee also will earn \$17,432 in commissions. However, due to poor sales in the final quarter of the year, the employee actually only earns \$12,000 in commissions. In this situation, the employer may within one month after the end of the year make a payment of at least \$5,432 to the employee. Any such final payment made after the end of the 52-week period may count only toward the prior year's total annual compensation and not toward the total annual compensation in the year it was paid. If the employer fails to make such a payment, the employee does not qualify as a highly compensated

employee, but may still qualify as exempt under subparts B, C, or D of this part.

* * * * *

■ 10. Amend § 541.602 by revising the first sentence of paragraph (a)(3) and the first sentence of paragraph (a)(3)(i) to read as follows:

§ 541.602 Salary basis.

(a) * * *

(3) Up to ten percent of the salary amount required by § 541.600(a) may be satisfied by the payment of nondiscretionary bonuses, incentives and commissions, that are paid annually or more frequently. * * *

(i) If by the last pay period of the 52-week period the sum of the employee's weekly salary plus nondiscretionary bonus, incentive, and commission payments received is less than 52 times the weekly salary amount required by § 541.600(a), the employer may make one final payment sufficient to achieve the required level no later than the next pay period after the end of the year.

* * *

* * * * *

■ 11. Amend § 541.604 by revising paragraph (a) and the third sentence in paragraph (b) to read as follows:

§ 541.604 Minimum guarantee plus extras.

(a) An employer may provide an exempt employee with additional compensation without losing the exemption or violating the salary basis requirement, if the employment arrangement also includes a guarantee of at least the minimum weekly-required amount paid on a salary basis. Thus, for example, an exempt employee guaranteed at least \$684 each week paid on a salary basis may also receive additional compensation of a one percent commission on sales. An exempt employee also may receive a percentage of the sales or profits of the employer if the employment arrangement also includes a guarantee of at least \$684 each week paid on a salary basis. Similarly, the exemption is not lost if an exempt employee who is guaranteed at least \$684 each week paid on a salary basis also receives additional compensation based on hours worked for work beyond the normal workweek. Such additional compensation may be paid on any basis (e.g., flat sum, bonus payment, straight-time hourly amount, time and one-half or any other basis), and may include paid time off.

(b) * * * Thus, for example, an exempt employee guaranteed compensation of at least \$725 for any week in which the employee performs any work, and who normally works four

or five shifts each week, may be paid \$210 per shift without violating the \$684-per-week salary basis requirement.
* * *

■ 12. Amend § 541.605 by revising paragraph (b) to read as follows:

§ 541.605 Fee basis.

* * * * *

(b) To determine whether the fee payment meets the minimum amount of salary required for exemption under these regulations, the amount paid to the employee will be tested by determining the time worked on the job and whether the fee payment is at a rate that would amount to at least the minimum salary per week, as required by §§ 541.600(a) and 541.602(a), if the employee worked 40 hours. Thus, an artist paid \$350 for a picture that took 20 hours to complete meets the \$684 minimum salary requirement for exemption since earnings at this rate would yield the artist \$700 if 40 hours were worked.

■ 13. Remove and reserve § 541.607.

§ 541.607 [Reserved]

Dated: May 13, 2026.

Andrew B. Rogers,

Administrator, Wage and Hour Division.

[FR Doc. 2026–09839 Filed 5–14–26; 8:45 am]

BILLING CODE 4510–27–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 100

[Docket No. USCG–2026–0211]

Special Local Regulation: Miami Beach Air and Sea Show, Atlantic Ocean, Miami Beach, FL

AGENCY: Coast Guard, DHS.

ACTION: Notification of enforcement of regulation.

SUMMARY: The Coast Guard will enforce a special local regulation for the Miami Beach Air and Sea Show from May 22, 2026, through May 24, 2026, to provide for the safety of life on navigable waterways during this event. Our regulation for marine events within the Seventh Coast Guard District identifies the regulated area for this event in Miami Beach, FL. During the enforcement periods, the operator, no person or vessel may enter, transit through, anchor in, or remain within the regulated area unless authorized by the Coast Guard Patrol Commander or a designated representative.

DATES: The regulations in 33 CFR 100.702 will be enforced for the Miami Beach Air and Sea Show listed in item No. 2 in Table 1 to § 100.702, daily from 10 a.m. until 5 p.m., on May 22, 2026, through May 24, 2026.

FOR FURTHER INFORMATION CONTACT: If you have questions about this notification of enforcement, call or email MST2 Jodi Stoiber, Sector Miami Waterways Management Division, U.S. Coast Guard; telephone 305–535–4317, email SectorMiamiWaterways@uscg.mil

SUPPLEMENTARY INFORMATION: The Coast Guard will enforce a special local regulation in 33 CFR 100.702 for the Miami Beach Air and Sea Show regulated area listed in item No. 2 in Table 1 to § 100.702, daily from 10 a.m. until 5 p.m., on May 22, 2026, through May 24, 2026. This action is being taken to provide for the safety of life on navigable waterways during the event. Our regulation for Marine Events within the Captain of the Port Miami, § 100.702, Table 1 to § 100.702, item No. 2, specifies the location of the Miami Beach Air and Sea Show which encompasses a portion of the Atlantic Ocean east of Miami Beach. Under the provisions of § 100.702(c), only event sponsor, designated participants, and official patrol vessels are allowed to enter the regulated area, unless otherwise authorized by the COTP Miami or Designated Representative.

Under the provisions of § 100.702(c), spectator vessels may safely transit outside the regulated area, but may not anchor, block, loiter in, impede the transit of festival participants or official patrol vessels or enter the regulated area without approval from the Coast Guard Patrol Commander or a designated representative. The Coast Guard may be assisted by other Federal, State, or local law enforcement agencies in enforcing this regulation. In addition to this notice of enforcement in the **Federal Register**, the Coast Guard will provide notice of the regulated area via Local Notice to Mariners, Marine Safety Information Bulletins, Broadcast Notice to Mariners, and on-scene designated representatives.

F.J. Florio

Captain, U.S. Coast Guard, Captain of the Port Miami.

[FR Doc. 2026–09803 Filed 5–14–26; 8:45 am]

BILLING CODE 9110–04–P

POSTAL SERVICE

39 CFR Part 111

Domestic Competitive Products Pricing and Mailing Standards Changes

AGENCY: Postal Service.

ACTION: Final rule.

SUMMARY: The Postal Service is amending *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM), to reflect changes to certain prices and mailing standards for competitive products.

DATES: *Effective Date:* July 12, 2026.

FOR FURTHER INFORMATION CONTACT: Catherine Knox (202) 268–5636, or Garry Rodriguez at (202) 268–7281.

SUPPLEMENTARY INFORMATION: This final rule describes new prices and product features for competitive products, by class of mail, established by the Governors of the United States Postal Service. New prices are available under Docket Number CP2026–8 on the Postal Regulatory Commission (PRC) website at <http://www.prc.gov>, and on the Postal Explorer® website at <http://pe.usps.com>.

The Postal Service will revise *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM), to reflect changes to certain prices and mailing standards for the following competitive products:

- Priority Mail Express®.
- Priority Mail®.
- USPS Ground Advantage®.
- Parcel Select®.
- Extra Services.
- Return Services.
- Mailer Services.
- Recipient Services.
- Other.

Competitive product prices and changes are identified by product as follows:

Priority Mail Express

Prices

Priority Mail Express retail and commercial prices will remain the same.

Priority Mail

Prices

Priority Mail retail and commercial prices will remain the same.

Priority Mail Cubic Maximum Measurement Increased

The Postal Service is increasing the current maximum dimension of 18 inches to 22 inches for all Priority Mail Cubic priced pieces.

USPS Ground Advantage*Prices*

USPS Ground Advantage retail prices will remain the same.

USPS Ground Advantage—Commercial Ounce Price Points

The Postal Service is revising the USPS Ground Advantage—Commercial ounce price points (4, 8, 12, and 15.999) to reflect the same price for each ounce price point within a zone, similar to Parcel Select Destination Entry ounce price points.

USPS Ground Advantage Cubic Maximum Measurement Increased

The Postal Service is increasing the current maximum dimension of 18 inches to 22 inches for all USPS Ground Advantage Cubic priced pieces.

USPS Ground Advantage Cubic Soft Pack Tiers Reduced

The Postal Service is reducing the USPS Ground Advantage Cubic Soft Pack pricing tiers from the current ten tiers to five tiers. The USPS Ground Advantage Cubic Soft Pack pricing tier measurements will now be consistent with the Priority Mail Cubic Soft Pack pricing tier measurements.

Parcel Select*Prices*

Parcel Select Destination Entry and USPS Connect® Local prices will remain the same.

Extra Services*Adult Signature Service*

Adult Signature Required and Adult Signature Restricted Delivery service prices will remain the same.

Return Services*USPS Returns Service*

There are no mailing standard changes to USPS Returns Service.

Mailer Services*Pickup on Demand Service*

The Pickup on Demand® service fee will remain the same.

USPS Tracking Plus Service

The USPS Tracking Plus® service prices will remain the same.

USPS Label Delivery Service

The USPS Label Delivery Service™ prices will remain the same.

USPS Delivered Duty Paid (DDP) Service

The DDP Service price will remain the same.

Recipient Services*Post Office Box Service*

The competitive Post Office Box™ service prices will increase 3.0 percent.

Premium Forwarding Service

Premium Forwarding Service® (PFS®) prices will remain the same.

USPS Package Intercept

The USPS Package Intercept® fee will remain the same.

Package Intercept Pricing

The Postal Service is revising the pricing for Priority Mail Express, Priority Mail, and USPS Ground Advantage pieces redirected to a new address or redirected to a Post Office as Hold For Pickup. Currently, Priority Mail Express, Priority Mail, and USPS Ground Advantage pieces redirected to a new address or redirected to a Post Office as Hold For Pickup are relabeled and charged the commercial Priority Mail price. These products will now be relabeled and charged the original commercial product price (e.g., Priority Mail Express for Priority Mail Express) when redirected to a new address or redirected to a Post Office as Hold For Pickup.

Other*Address Enhancement Service*

Address Enhancement Service competitive product prices will remain the same.

Addresses API

The Postal Service is introducing the Addresses API that validates and corrects address information to improve package and mail delivery service using address data from the City State, ZIP + 4, Five-Digit ZIP, eLOT, DSF, and LACSLink, databases which are integrated into the Addresses API for a price charged per month based on the tier which is determined by the number of events.

Additional Service Fee

The Parcel Select forward and return to sender fee will increase from \$3.80 to \$6.00.

The Parcel Select address correction service (ACS) with Shipper Paid Forwarding/Return fee will increase from \$3.20 to \$5.40.

Package Quality Noncompliance Fee

The Package Quality Noncompliance Fee will remain the same.

Nonstandard Fees

Nonstandard Fees will remain the same.

Dimension Noncompliance Fee

The Dimension Noncompliance Fee will remain the same.

Dimensional Weight (DIM) Factor and Piece Dimensions Rounding Changes

The Postal Service is revising the DIM factor (divisor) and the piece dimensions rounding calculation for retail and commercial Priority Mail Express, Priority Mail, and USPS Ground Advantage, and Parcel Select, for consistency with industry standards.

The Postal Service is changing the DIM factor to 139 to determine the dimensional weight in pounds.

In addition, the Postal Service is revising the rounding requirement for DIM piece dimensions to rounding “up” the length, width, and height measurements to the nearest whole inch.

Hazmat Handling Fee

The Postal Service is implementing a Hazmat Handling Fee. This fee will be assessed on all pieces containing hazardous matter entered at retail and commercial Priority Mail Express, Priority Mail, and USPS Ground Advantage, and Parcel Select prices. The fee will also be assessed on USPS Returns pieces. The Hazmat Handling Fee is nonrefundable once the piece is entered in the network.

The Hazmat Handling Fee may be assessed in addition to the Package Quality Noncompliance Fee or new Hazmat Noncompliance Fee.

The Postal Service will also update Publication 52, Hazardous, Restricted, and Perishable, Matter, to provide information on the Hazmat Handling Fee requirement.

New Package Compliance Category and Hazmat Noncompliance Fee

The Postal Service is implementing a new package compliance category, “Hazmat Quality.” This new category will only apply to applicable commercial priced products and will consist of 8 hazmat validations. This will involve migrating four existing validations from the Barcode Quality compliance category and integrating four new validations to create the new Hazmat Quality compliance category. The eight validations are as follows:

1. Hazmat Symbol and Non-Hazmat STC—Internal PTR Warning #30
2. Hazmat Indicator and Non-Hazmat STC—Internal PTR Warning #31
3. Hazmat STC on Military/PTFAS—Internal PTR Warning #39
4. Hazmat Service Icon on Military/PTFAS—Internal PTR Warning #40
5. Hazmat STC

6. Service Icon
7. Barcode Banner Text
8. DOT markings

The “Hazmat Quality” compliance category will have a 100 percent compliance quality threshold. Pieces that do not meet the 100 percent compliance quality threshold will be subject to the new “Hazmat Noncompliance Fee.” A mailpiece will only be subject to the “Package Quality Noncompliance Fee” or the “Hazmat Noncompliance Fee,” whichever is higher.

The Postal Service will also update Publication 199, Intelligent Mail Package Barcode (IMpb) Implementation Guide for Confirmation Services and Electronic Payment Systems, to provide information on the Hazmat Noncompliance Fee requirements.

Resources

The Postal Service provides additional resources to assist customers with this price change for competitive products. These tools include price lists, downloadable price files, and **Federal Register** Notices, which may be found on the Postal Explorer® website at <http://pe.usps.com>.

The Postal Service adopts the described changes to *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM), incorporated by reference in the *Code of Federal Regulations*. We will publish an appropriate amendment to 39 CFR part 111 to reflect these changes.

List of Subjects in 39 CFR Part 111

Administrative practice and procedure, Postal Service.

Accordingly, the Postal Service amends *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM), incorporated by reference in the *Code of Federal Regulations* as follows (see 39 CFR 111.1):

PART 111—[AMENDED]

- 1. The authority citation for 39 CFR part 111 continues to read as follows:

Authority: 5 U.S.C. 552(a); 13 U.S.C. 301–307; 18 U.S.C. 1692–1737; 39 U.S.C. 101, 401–404, 414, 416, 3001–3018, 3201–3220, 3401–3406, 3621, 3622, 3626, 3629, 3631–3633, 3641, 3681–3685, and 5001.

- 2. Revise *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM) as follows:

Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM)

* * * * *

100 Retail Mail Letters, Cards, Flats, and Parcels

* * * * *

110 Retail Mail Priority Mail Express

113 Prices and Eligibility

1.0 Prices and Fees

* * * * *

1.3 Dimensional Weight Price for Low-Density Parcels

* * * * *

1.3.2 Determining Dimensional Weight for Rectangular Parcels

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

1.3. Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

[Add new 1.8 to read as follows:]

1.8 Hazmat Handling Fee

Priority Mail Express pieces containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). For additional information on the Hazmat Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable, Mail*, (Chapter 3).

* * * * *

120 Retail Mail Priority Mail

123 Prices and Eligibility

1.0 Prices and Fees

* * * * *

1.3 Dimensional Weight Price for Low-Density Parcels

* * * * *

1.3. Determining Dimensional Weight for Rectangular Parcels

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

1.3.3 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

[Add new 1.8 to read as follows:]

1.8 Hazmat Handling Fee

Priority Mail pieces containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). For additional information on the Hazmat Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable, Mail*, (Chapter 3).

* * * * *

130 Retail Mail First-Class Mail and USPS Ground Advantage—Retail

133 Prices and Eligibility

1.0 Prices and Fees

* * * * *

1.4 Dimensional Weight Price for Low-Density Parcels

* * * * *

1.4.2 Determining Dimensional Weight for Rectangular Parcels

[Add an introductory sentence to 1.4.2 to read as follows:]

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

1.4.3 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

[Add new 1.10 to read as follows:]

1.10 Hazmat Handling Fee

USPS Ground Advantage—Retail pieces containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). For additional information on the Hazmat Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable, Mail*, (Chapter 3).

200 Commercial Letters, Cards, Flats, and Parcels

204 Barcode Standards

2.0 Standards for Package and Extra-Service Barcodes

2.1 Barcodes

2.1.6 Compliance-Quality Thresholds

[Revise the text of 2.1.6 to read as follows:]

All mailers who enter commercial parcels into the Postal Service network must meet the established thresholds for compliance quality outlined in Exhibit 2.1.6 to avoid paying a fee. Failure to meet any compliance-quality threshold in Exhibit 2.1.6 will result in the Postal Service charging the mailer the Package Quality Noncompliance Fee or the Hazmat Noncompliance fee, whichever is higher.

Exhibit 2.1.6 Compliance-Quality Thresholds

[Revise the text in the “Note” to read as follows:]

Note: See Publication 199 for a list of validations for each compliance category (AQ, MQ, BQ, HQ).

Compliance categories	Compliance codes	Compliance thresholds
* * * * *	*	*
<i>[Add a new “Compliance Category” to read as follows:]</i>		
Hazmat Quality: Checks the package HQ contains all the correct hazmat compliance elements in Pub 199 ..	HQ	100

210 Commercial Mail Priority Mail Express

213 Prices and Eligibility

1.0 Prices and Fees

1.4 Dimensional Weight Price for Low-Density Parcels

1.4.2 Determining Dimensional Weight for Rectangular Parcels

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

1.4.3 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

[Add new 1.11 to read as follows:]

1.11 Hazmat Handling Fee

Priority Mail Express pieces, including Priority Mail Express Return pieces, containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). This fee may be assessed in addition to the Package Quality Noncompliance Fee or Hazmat Noncompliance Fee under 204.2.1.6,

when applicable. For additional information on the Hazmat Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable, Mail*, (Chapter 3).

220 Commercial Mail Priority Mail

223 Prices and Eligibility

1.0 Prices and Fees

1.3 Cubic

1.3.1 Cubic Eligibility

[Revise the second sentence of 1.3.1 to read as follows:]

* * * Each cubic mailpiece, including soft packs and padded envelopes under 1.3.4 must measure .50 cubic foot or less, weigh 20 pounds or less, and the longest dimension may not exceed 22 inches. * * *

1.4 Dimensional Weight Price for Low-Density Parcels

1.4.2 Determining Dimensional Weight for Rectangular Parcels

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

1.4.3 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

[Add new 1.13 to read as follows:]

1.13 Hazmat Handling Fee

Priority Mail pieces, including Priority Mail Return pieces, containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). This fee may be assessed in addition to the Package Quality Noncompliance Fee or Hazmat Noncompliance Fee under 204.2.1.6, when applicable. For additional information on the Hazmat

Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable, Mail*, (Chapter 3).

* * * * *

250 Commercial Mail Parcel Select**253 Prices and Eligibility****1.0 Prices and Fees**

* * * * *

1.2 Dimensional Weight Price for Low-Density Parcels

* * * * *

1.2.2 Determining Dimensional Weight for Rectangular Parcels

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

1.2.3 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next

whole number to determine the dimensional weight in pounds.

* * * * *

[Add new 1.9 to read as follows:]

1.9 Hazmat Handling Fee

Parcel Select Destination Entry and USPS Connect Local pieces containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). This fee may be assessed in addition to the Package Quality Noncompliance Fee or Hazmat Noncompliance Fee under 204.2.1.6, when applicable. For additional information on the Hazmat Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable, Mail*, (Chapter 3).

* * * * *

280 Commercial Mail USPS Ground Advantage—Commercial**283 Prices and Eligibility****1.0 Prices and Fees**

* * * * *

1.3 USPS Ground Advantage—Commercial Cubic**1.3.1 Eligibility**

[Revise the second sentence of 1.3.1 to read as follows:]

* * * Each cubic mailpiece, including soft packs and padded envelopes under 1.3.4, must measure 1 cubic foot or less, weigh 20 pounds or less, and the longest dimension must not exceed 22 inches. * * *

* * * * *

1.3.4 Determining Cubic Tier Measurement for Soft Pack and Padded Envelopes

* * * * *

Exhibit 1.3.4 Cubic-Pricing Tiers for Soft Pack and Padded Envelopes

[Revise the table under Exhibit 1.3.4 to read as follows:]

Cubic price tiers	Cubic price tiers	Length plus width
0.10	Mailpieces measuring from	0" up to 21".
0.20	Mailpieces measuring more than	21" up to 27".
0.30	Mailpieces measuring more than	27" up to 31".
0.40	Mailpieces measuring more than	31" up to 34".
0.50	Mailpieces measuring more than	34" up to 36".

* * * * *

1.4 Dimensional Weight Price for Low-Density Parcels

* * * * *

1.4.2 Determining Dimensional Weight for Rectangular Parcels

Follow these steps to determine the dimensional weight for a rectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item c to read as follows:]

c. If the result exceeds 1,728 cubic inches, divide the result by 139 and

round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

1.4.3 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

[Revise the last sentence of item a to read as follows:]

a. * * * Round up (see 604.7.0) each measurement to the nearest whole inch.

* * * * *

[Revise the text of item d to read as follows:]

d. If the final result exceeds 1,728 cubic inches, divide the result by 139 and round up (see 604.7.0) to the next whole number to determine the dimensional weight in pounds.

* * * * *

[Add new 1.10 to read as follows:]

1.10 Hazmat Handling Fee

USPS Ground advantage—Commercial pieces, including USPS Ground Advantage Return pieces, containing hazardous matter are subject to the nonrefundable Hazmat Handling Fee (see Notice 123—Price List). This fee may be assessed in addition to the Package Quality Noncompliance Fee or Hazmat Noncompliance Fee under 204.2.1.6, when applicable. For additional information on the Hazmat Handling Fee see Publication 52, *Hazardous, Restricted, and Perishable Mail*, (Chapter 3).

* * * * *

500 Additional Mailing Services

* * * * *

507 Mailer Services

* * * * *

5.0 Package Intercept

5.1 Description of Service

* * * * *

5.1.2 Eligibility

Except under 5.1.3, Package Intercept service is available for the following mailpieces with a tracking barcode (excluding COD Hold For Pickup mailpieces), addressed to, from, or between domestic destinations (608.2.0) that do not require a customs declarations label:

* * * * *

[Delete item c in its entirety and renumber items d through i as items c through h.]

* * * * *

5.2 Postage, Fees, and Payment Methods

5.2.1 Postage and Fees

The customer must pay a nonrefundable per-piece fee after USPS successfully intercepts the mailpiece. Payment of postage and additional fees is as follows:

[Revise the text of item a to read as follows:]

a. Intercepted Priority Mail Express, Priority Mail, and USPS Ground Advantage pieces, including oversized-priced pieces (i.e., pieces measuring more than 108 inches in length and girth combined up to a maximum of no more than 130 inches in length and girth combined), being redirected to the sender are not relabeled or subject to additional postage.

[Renumber items b through d as c through e and add new item b to read as follows:]

b. Intercepted Priority Mail Express, Priority Mail, and USPS Ground Advantage pieces including oversized-priced pieces (i.e., pieces measuring more than 108 inches in length and girth combined up to a maximum of no more than 130 inches in length and girth combined), being redirected to a new delivery address or a Post Office as Hold For Pickup (3.0), are relabeled and charged the original commercial product price (e.g., Priority Mail Express for Priority Mail Express) along with any applicable extra-services fees.

[Revise the text of renumbered item c to read as follows:]

c. Except for Parcel Select-oversized-priced pieces under 5.2.1d, intercepted Parcel Select, Bound Printed Matter, Media Mail and Library Mail pieces that are redirected to the sender, to a new delivery address or a Post Office as Hold For Pickup (3.0), are relabeled and handled as a new Priority Mail piece. Along with any applicable extra-services fees, the customer is charged Priority Mail commercial prices for the new Priority Mail piece based on the location where intercepted to the new destination and according to the piece's dimensions, weight, and zone, or the customer is charged the flat-rate price, if applicable.

[Delete renumbered item d in its entirety, and renumber item e as item d.]

* * * * *

509 Other Services

* * * * *

1.0 Address Information System Services

* * * * *

[Revise the heading of 1.3 to read as follows:]

1.3 Address Matching

[Renumber the current text under 1.3 as 1.3.1 to read as follows:]

1.3.1 Address Matching System Application Program Interface (AMS API)

AMS API is a core set of compiled address-matching software instructions available, for a set fee, to developers to incorporate into their software so that address lists can be updated with address data from the following databases, which are integrated into the AMS-API: City State, ZIP + 4, Five-Digit ZIP, eLOT, DPV, and LACSLink. The following services require payment of separate additional fees:

a. Installing the AMS-API on multiple computers for its own use.

b. Reselling its address-matching software.

[Add new 1.3.2 to read as follows:]

1.3.2 Addresses Application Program Interface (Addresses API)

Addresses API validates and corrects address information to improve package and mail delivery service using address data from the City State, ZIP + 4, Five-Digit ZIP, eLOT, DSF, and LACSLink, databases which are integrated into the Addresses API for a price charged per month based on the tier which is determined by the number of events.

* * * * *

600 Basic Standards for All Mailing Services

* * * * *

604 Postage Payment Methods and Refunds

* * * * *

9.0 Exchanges and Refunds

* * * * *

9.2 Postage and Fee Refunds

* * * * *

9.2.4 Postage and Fee Refunds Not Available

Refunds are not made for the following:

* * * * *

[Revise 9.2.4 by adding an item k to read as follows:]

k. For the Hazmat Handling fee once the piece is entered in the network.

* * * * *

Notice 123 (Price List)*[Revise as applicable.]*

* * * * *

Kevin Rayburn,*Attorney, Ethics and Legal Compliance.*

[FR Doc. 2026-09785 Filed 5-14-26; 8:45 am]

BILLING CODE 7710-12-P

**FEDERAL COMMUNICATIONS
COMMISSION****47 CFR Part 2****[ET Docket No. 24-136; FCC 26-28; FR ID
345586]****Promoting the Integrity and Security of
Telecommunications Certification
Bodies, Measurement Facilities, and
the Equipment Authorization Program****AGENCY:** Federal Communications
Commission.**ACTION:** Final rule.

SUMMARY: In this document, the Federal Communications Commission (Commission or FCC) adopts measures to strengthen national security and encourage reciprocity in testing and certification. The FCC creates a fast-track priority review process for devices subject to Pre-Approval Guidance (PAG) for applications tested in Trusted Test Labs. Also, updates post-market surveillance and enforcement procedures, and establishes confidential reporting channels for industry participants to raise concerns about violations or national security threats. Lastly, directs development of a consolidated list of prohibited entities to streamline applicant screening and aligns ownership reporting timelines for publicly traded companies with U.S. Securities and Exchange Commission requirements.

DATES: This final rule is effective June 15, 2026, except the amendments to §§ 2.949(b)(5) and (6) and (d) (amendatory instruction 2), 2.951(a)(10) and (11) and (c) (amendatory instruction 4), and 2.962(d)(9) (amendatory instruction 6) which are delayed. The Federal Communications Commission will publish a document in the **Federal Register** announcing the effective date.

FOR FURTHER INFORMATION CONTACT: Katherine Nevitt of the Office of Engineering and Technology, at 301-317-0062 or katherine.nevitt@fcc.gov.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's *Second Report and Order* and *Order on Reconsideration*, in ET Docket No. 24-136, FCC 26-28, adopted on April 30,

2026, and released on May 1, 2026. The full text of this document is available for public inspection and can be reviewed at <https://docs.fcc.gov/public/attachments/FCC-26-28A1.pdf>.

Alternative formats are available for people with disabilities (Braille, large print, electronic files, audio format) by sending an email to fcc504@fcc.gov or calling the Commission's Consumer and Governmental Affairs Bureau at (202) 418-0530 (voice), (202) 418-0432 (TTY).

Regulatory Flexibility Act. The Regulatory Flexibility Act of 1980, as amended (RFA) requires that an agency prepare a regulatory flexibility analysis for notice and comment rulemakings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities." Accordingly, the Commission has prepared a Final Regulatory Flexibility Analysis (FRFA) concerning the possible impact of the rule changes contained in the *Second Report and Order* on small entities. The FRFA is set forth in Appendix C, <https://www.fcc.gov/document/fcc-targets-device-test-labs-nations-without-reciprocal-agreements-0>.

Paperwork Reduction Act. This document contains new or modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. The Commission, as part of its continuing effort to reduce paperwork burdens, will invite the general public and the Office of Management and Budget (OMB) to comment on any information collection requirements contained in this document. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4), the Commission seeks specific comment on how it might "further reduce the information collection burden for small business concerns with fewer than 25 employees."

Congressional Review Act. The Commission has determined, and the Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, concurs, that this rule is non-major under the Congressional Review Act, 5 U.S.C. 804(2). The Commission will send a copy of the *Second Report and Order* to Congress and the Government Accountability Office pursuant to 5 U.S.C. 801(a)(1)(A).

Synopsis

In this document, the Commission continues its efforts to strengthen the integrity and security of the Equipment

Authorization Program. Building on the foundation established in the *First EA Integrity Report and Order*, 90 FR 38045 (August 7, 2025), this action addresses emerging national security risks and supply chain vulnerabilities by refining the Commission's rules governing Telecommunications Certification Bodies (TCBs), test laboratories, and laboratory accreditation bodies.

The Commission adopts measures to strengthen national security and incentivize domestic testing and certification, including the creation of a fast-track priority review process for applications tested in Trusted Test Labs, *i.e.* test labs in the United States or in the territories of economies with Mutual Recognition Agreements (MRAs) in which the FCC participates or trade agreements with conformity assessment reciprocity provisions to which the United States is a party (Reciprocal Economies) under the Pre-Approval Guidance (PAG) system. U.S. actors in the Commission's equipment authorization program, including U.S. test labs and TCBs, are subject to U.S. laws and can legally be compelled to respond to FCC inquiries in a timely manner. Actors based in Reciprocal Economies are similarly bound by the laws of the reciprocal international agreements. These steps aim to strengthen the integrity of the Commission's equipment authorization process by reducing reliance on foreign entities that pose unacceptable risks, promoting reciprocity, mitigating intellectual property theft, and ensuring sensitive technologies are evaluated in secure environments. The Commission also enhances transparency by requiring disclosure of the location and number of employees engaged in FCC-recognized testing and certification, including foreign-based staff, to assess trustworthiness, impartiality and compliance with Commission rules.

Further, this document directs revisions to post-market surveillance procedures, strengthens enforcement mechanisms, and establishes confidential reporting channels for industry participants to raise concerns about violations or national security threats. To streamline compliance, the Commission directs the creation of a consolidated human-readable and, to the extent feasible given limited resources, machine-readable list of prohibited entities to assist TCBs in screening applicants efficiently. Additionally, the Commission grants Garmin's Petition for Reconsideration to align ownership reporting requirements for publicly traded companies with Securities and Exchange Commission (SEC) timelines.

Through all these actions, the Commission seeks to promote a robust domestic testing ecosystem, safeguard U.S. communications networks, and uphold the integrity of the equipment authorization process.

Second EA Integrity Order

In this *Second EA Integrity R&O*, the Commission focuses on strengthening the integrity of its equipment authorization program by addressing national security risks and revising the Commission's equipment authorization rules to incentivize applicants to use domestic testing. Specifically, the Commission creates a fast-track priority review process for equipment that is subject to the PAG system and is tested in test labs in the U.S. or in the territory of an economy with which the U.S. has negotiated reciprocal treatment through an MRA or trade agreement with comparable provisions (Trusted Test Labs). This will incentivize testing in the U.S. or reciprocal countries, promote transparency and accountability in the process, and will encourage reciprocal treatment of U.S.-based testing in foreign countries. The Commission also amends its rules to require TCBs and test labs to disclose the location and number of foreign employees engaged in FCC-recognized testing/certification, to enhance transparency and assess impartiality as required by Commission rules.

The Commission directs OET to revise post-market surveillance procedures, including sampling rates, escalation methods, and transparency when noncompliance is found. The Commission will also take a more active role in oversight and enforcement, reinforcing penalties for false certifications and fraudulent test reports. The Commission establishes a secure portal for industry participants to report suspected violations or national security concerns and create a centralized, machine-readable list of prohibited entities to help TCBs screen applicants efficiently. Finally, the Commission grants a Petition for Reconsideration filed by Garmin that modifies the ownership reporting rules for publicly traded companies to align with SEC timelines.

The Commission clarifies that its current rules allow for many of these proposals, such as greater disclosure of the locations of foreign employees and testing locations of test labs and TCBs, a more active role by the Commission in post-market surveillance, stronger enforcement, and better data sharing practices.

A. Fast-Track PAG Reviews for Applications Using U.S. Test Labs

The Commission finds it in the public interest to offer a priority fast-track review of equipment authorization applications subject to the Pre-Approval Guidance (PAG) process under 47 CFR 2.964 that use Trusted Test Labs (*i.e.* labs in the U.S. or Reciprocal Economies) to test equipment. The Commission believes incentivizing a robust trusted test lab ecosystem will boost the integrity of the equipment authorization process overall by expanding testing in trusted environments, reducing the risk of intellectual property (IP) theft of innovative technologies, and improve the Commission's ability to securely adapt to emerging technologies.

The Commission also finds it in the public interest to streamline requirements for testing and certification by Trusted Test Labs. The Commission's recent actions to de-recognize test labs based on national security risk has reduced the supply of testing and has highlighted the risk in relying on foreign test labs. The Commission finds that incentivizing domestic testing is a proactive step that will shift the framework from reactive exclusion to prevention, ultimately serving to strengthen the Commission's equipment authorization program by promoting reliance on trustworthy labs that do not present national security concerns that will be easily subject to FCC enforcement actions. This expanded domestic testing capacity will strengthen the overall resilience of the equipment authorization program.

The Commission further finds it in the public interest to allow Trusted Test Labs to utilize the priority fast-track review process. The Commission finds that permitting Trusted Test Labs to participate in the fast-track review process upholds the United States' commitments in its MRAs and trade agreements and incentivizes additional economies to pursue similar agreements with the U.S. for reciprocal treatment. These reciprocal agreements ensure a maximum level of integrity.

The Commission agrees with the overwhelming support from commenters and finds it in the public interest to incentivize device-makers to use Trusted Test Labs, or test labs located in the U.S. or in the territory of an economy with which the U.S. has negotiated reciprocal treatment through an MRA or trade agreement. The Commission agrees with the record support that one effective means of doing this is by offering a priority fast-track process for applications subject to

the PAG process, where equipment is tested by a qualifying entity. In 2024, 3.6% of devices receiving FCC IDs were tested by labs in the U.S., and 12.5% were tested by labs in MRA countries; collectively, over 16% were tested by Trusted Test Labs. The Commission believes that prioritizing the participation of Trusted Test Labs in the Commission's equipment authorization program will help promote the integrity of the Commission's equipment authorization procedures while simultaneously helping protect its nation's supply chain against unacceptable risks. As the National Security Division (NSD) of the Department of Justice (DOJ) has previously advised us in this proceeding, allowing foreign adversaries to infiltrate the equipment authorization program creates a risk that they could exploit it on a broad scale—potentially misappropriating sensitive intellectual property and business intelligence from U.S. companies to advance their own national interests.

The Commission agrees with the Cetecom comment supporting domestic testing to ensure sensitive technologies are evaluated in secure, controlled environments and to reduce the risk of IP theft and foreign surveillance. The Commission also agrees with the many comments supporting testing in allied and MRA countries. The Commission finds that these risks, particularly IP theft, are especially heightened for the types of technologies appearing in the PAG list. Test labs have privileged and early access to confidential information about new products given their role in the supply chain, and the risk of IP theft and foreign surveillance is especially pronounced for new technologies on the PAG list.

The Commission also notes the commitments made by the United States in its MRAs and Free Trade Agreements (FTAs). Certain MRAs to which the U.S. is a Party include a mutual commitment to accept test reports of recognized conformity assessment bodies of the other Party on terms no less favorable than those accorded to test reports produced by conformity assessment bodies of the importing Party. Similarly, many U.S. FTAs and Agreements on Reciprocal Trade (ARTs) include a mutual commitment to accord to conformity assessment bodies located in the territory of the other Party treatment no less favorable than the Party accords to conformity assessment bodies located in its own territory. The Commission finds that it is appropriate and in the public interest to allow test labs located in the territory of economies with which the

U.S. has negotiated such reciprocal treatment through an MRA or trade agreement to participate in the fast-track PAG process.

While all FCC grants for certification of RF equipment are processed through TCBs, certain equipment authorization approvals related to new and evolving technologies require direct oversight by the Commission through the PAG process. For products that contain new and evolving technologies covered by the PAG process, it is particularly important that those responsible for testing them be subject to U.S. law so that they may be compelled to respond in a timely manner to FCC requests. The Commission has previously raised concerns that foreign actors in the Commission's equipment authorization program have been able to evade U.S. law when products they are responsible for have harmed American consumers. U.S. actors in the Commission's equipment authorization program, including U.S. test labs and TCBs, are subject to U.S. laws and can legally be compelled to respond to FCC inquiries in a timely manner. Actors based in Reciprocal Economies are similarly bound by the laws of the reciprocal international agreements. In contrast, foreign actors from non-Reciprocal Economies have abused the protections of the Hague Service Convention to evade accountability for repeated violations in the Commission's equipment authorization program.

The PAG process and associated PAG list address the compliance requirements for these technologies and must be followed by all TCBs before finalizing the equipment authorization approval for any devices identified in the PAG List. Currently, the Commission's rules require TCBs to comply with the following for PAG list equipment: (1) perform an initial review of the application and determine the issues that require guidance from the Commission; (2) complete the review of the application in accordance with the Commission's guidance; (3) provide any test samples of the equipment requested by the Commission; (4) electronically submit the application and all exhibits to the Commission along with a request to grant the application; and (5) supply any additional information or equipment testing required by the Commission to comply with its rules.

The Commission revises § 2.964 of its rules to prioritize approval for PAG list equipment authorization applications, where the equipment is tested in the U.S. or in the territory of an economy with which the U.S. has negotiated reciprocal treatment through an MRA or trade agreement (Trusted Test Labs).

First, the Commission directs OET to create a fast-track PAG list option for TCBs utilizing Trusted Test Labs in its PAG list approval process. The Commission also directs OET to update the PAG list to provide a separate streamlined list of categories for which pre-approval guidance is required for applications that use domestic testing provided by Trusted Test Labs. This streamlined list will aid in the removal of associated lag time with the PAG review and approval process. Finally, the Commission directs OET to publish, and update as necessary, a list of economies with which the United States has an MRA or comparable trade agreement. The Commission believes these actions will create the appropriate incentive to utilize Trusted Test Labs that creates a faster pipeline in getting newer equipment to the market. The Commission also believes Trusted Test Labs do not carry the same national security and trustworthiness risk that certain foreign test labs do, and the Commission therefore places enhanced trust in their ability to receive and handle sensitive and proprietary equipment authorization information as reflected in a shorter period for Commission staff to review their test results, to receive and handle sensitive and proprietary equipment authorization information as reflected in a shorter period for Commission staff to review their test results.

Creating a fast-track PAG option for TCBs using Trusted Test Labs will also assist with accelerating the expansion of testing capacity in the United States and Reciprocal Economies. This is all the more important, given that in the last several months, the Commission has ceased to recognize 21 labs. Even as the Commission protects the integrity of the equipment authorization process by not recognizing untrustworthy labs, the Commission believes it is in the public interest to facilitate more testing in the United States and Reciprocal Economies, which will increase trust in the process trust in the process. The Commission also agrees with the Heritage Foundation that supporting greater domestic testing capacity will boost the resilience of the equipment authorization program by ensuring the U.S. has reliable, secure testing capacity at home.

The Commission envisions that this fast-track option will create two distinct lines for the PAG approval process: one for Trusted Test Labs that will receive a shorter, faster queue and one for all other test labs. In addition, there will be two distinct PAG list tracks, the general PAG list and the Trusted Test Lab streamlined PAG list with fewer

equipment categories. The Commission directs OET to release a public notice determining the specific equipment categories to be removed on the Trusted Test Lab PAG list that will enable this fast-track approval process.

Unsurprisingly, the current queue for such vigorous PAG list review and approval can take several months. In 2025, the OET Laboratory Division reviewed and processed 1,202 PAG list items. The Commission directs the OET Lab Division to make publicly available data metrics for the timelines associated with PAG list review and approval. The Commission believes this transparency will serve the public interest in several ways. First, the metrics for PAG processing will provide data to improve administrative processes, which allow interactions with the Commission to be more accessible and efficient. Second, these metrics will provide a measure of the time-savings the fast-track PAG processing option provides in the PAG approval process. The Commission anticipates that the time-savings will translate to faster marketing of new types of equipment and cost savings for bringing such innovations to market, benefiting the American public.

B. Greater Disclosure of Number and Location of Test Lab and TCB Employees

The Commission also amends its rules to provide that test labs and TCBs must disclose the number and location of all employees that are engaged in FCC-recognized testing and/or certification at designation and renewal.

Background. The Commission's rules require recognition of test labs based on the ISO 17025 standard, and recognition of TCBs based on the ISO 17065 standard. Both standards assess whether test labs and TCBs operate in a competent, consistent and impartial manner. In practice, our rules operate to require reviews of the underlying requirements of recognition at least every two years for test labs and TCBs. The Commission does not require either TCBs or test labs to disclose the location of their employees.

In the *First EA Integrity FNPRM* (90 FR 31945; July 16, 2025), the Commission sought comment on the potential for this current structure to raise questions as to the integrity of the Commission's equipment authorization program or the impartiality of TCBs or test labs. The Commission sought comment on what additional information the Commission should require regarding the relationship between the individuals who each performed a defined role in the review and approval process, as well as any

additional safeguards that the Commission should consider to further ensure the impartiality of the Commission's TCBs and test labs. Further, the Commission sought comment on whether it should restrict the relationships between TCBs and test labs to prevent TCBs from reviewing authorization applications for which the equipment was tested by a test lab owned by, or under the direction or control of the same entities that own, direct, or control the TCB.

Discussion. The Commission adopts its proposal and clarifies that, in reviewing for adherence to the ISO/IEC 17065 and ISO/IEC 17025 impartiality frameworks, the Commission will consider where employees are based and where they carry out their testing and certification activities. The Commission will therefore require test labs and TCBS to report the number and location information of all employees engaged in FCC-recognized testing and/or certification, including those based outside the U.S. The Commission believes such information, to the extent relevant to the test lab or TCB's participation in the Commission's equipment authorization program, is required to determine compliance with the Commission's rules. Test labs are already required to provide information about the location of their test sites. The rules also require test labs to provide "[o]ther information as requested by the Commission[.]" The Commission amends its rules to require submission of information on the location of employees. The rules already prohibit TCBs from outsourcing review and certification decision activities, and place limits on how TCBs may use external (outsourced) resources. TCBs are required to maintain appropriate oversight of outsourced resources, and include periodic audits and other activities required by ISO/IEC 17065. More disclosure of the locations of employees and testing locations will allow the Commission to consider how test labs and TCBs intend to comply with the Commission's rules regarding oversight. The Commission therefore amends § 2.960 to require TCBs to provide location information for employees engaged in certification.

The Commission further clarifies that knowing where a TCB's or test lab's employees are located and where they carry out their testing activities is necessary to assess a test lab or TCB's impartiality. As explained by FDD, certain foreign laws, including national security laws, may coerce corporate cooperation with state intelligence objectives such that they cannot credibly demonstrate operational

independence from a foreign government. While a foreign government's ability to coerce an FCC-recognized test lab's cooperation is strongest when that test lab is either an arm of the government or owned by the government, the foreign government can also exercise influence when it has jurisdiction over the employees and testing. For these reasons, the Commission clarifies that disclosure of this information is required to ensure the integrity of the Commission's equipment authorization program. The Commission therefore updates its rules accordingly.

To eliminate any privacy concerns, the Commission notes that it will not require the personal address of employees or their personally identifiable information, unless required as part of an investigation into the truthfulness of such disclosures. Instead, the Commission requires the business address where the employee conducts testing or reviews certification applications for a TCB. The record shows broad support for the adoption of this requirement, and the Commission believes this measured approach balances U.S. national security concerns and unnecessary granularity.

The Commission disagrees with LGAI Technological Center that the increase in regulatory burden implementing this requirement does not provide sufficient regulatory benefit. To the contrary, as the Commission has previously noted, "[i]t is obvious and unarguable that no governmental interest is more compelling than the security of the Nation." The TCBs are charged with ensuring that all equipment authorization approvals it issues are not affected by the improper influence of a foreign government, which promotes U.S. national security while test labs have access to sensitive and innovative equipment prior to its availability in the commercial marketplace. The Commission similarly disagrees with the contention of China's State Administration for Market Regulation (SAMR) that requiring country locations of TCB and test lab employees is inconsistent with the TBT Agreement. The referenced provisions in the TBT Agreement do not apply to requirements for conformity assessment bodies to receive accreditation.

C. Post-Market Surveillance

Under current Commission rules, a TCB must perform appropriate post-market surveillance activities in accordance with ISO/IEC 17065. While the standard provides a general framework for surveillance, OET provides greater specificity on post-

market surveillance procedures for TCBs. The post-market surveillance procedures are published in an OET document known as "KDB 610077," which provides specific benchmarks such as the number and types of samples that a TCB must test and includes sample templates and checklists to help TCBs streamline their surveillance reporting.

The Commission agrees with comments supporting the Commission taking a more active role in managing the post-market surveillance program. An effective surveillance program allows the public to trust that their FCC-certified electronics in the real world are consistent with those submitted for certification testing in the lab. The Commission's current post-market surveillance procedures were last published in April 2022. The Commission believes these surveillance procedures require revisions to consider the rapidly evolving national security threat landscape and the new risks to the Commission's equipment authorization program explained over the last four years in the Commission's *EA Security* and the *EA Integrity* proceedings. The Commission agrees with comments seeking further clarification of post-market surveillance procedures and directs OET to release a public notice developing revised procedures.

The Commission directs OET to include in the revised surveillance procedures questions about the sampling rate, such as whether TCBs are required to sample five percent of their certification grants in the same calendar year. Such questions are a valid concern, as TCBs often cannot predict how many certification grants they will issue by year-end and are left uncertain in December if they will meet their sampling quotas for the year. The Commission directs OET to include in the surveillance procedures methods for TCBs to elevate concerns, such as when grantees are uncooperative in providing required samples for surveillance testing or when they believe other TCBs have deficient surveillance procedures. The Commission also directs OET to provide greater transparency when surveillance discovers noncompliance by making significant instances of noncompliance public. Such transparency would be consistent with the surveillance practices of other agencies that rely on ISO/IEC 17025-accredited test labs, such as the Consumer Product Safety Commission.

D. Stronger Enforcement

The Commission sought comment on reasonable practices TCBs could

implement to better identify equipment that may be noncompliant with Commission rules, despite authorization, and also sought comment on additional safeguards that it should consider to further ensure the impartiality of TCBs and test labs.

The Commission agrees with commenters supporting stronger enforcement of existing rules. The Commission notes that stronger enforcement of the equipment authorization regime is exactly what the Commission intended when it created the TCB system. Back in 1998, the Commission recognized that “the integrity of the TCB program must be based on the Commission’s ability to enforce its rules effectively.” The Commission anticipated that the TCB program would reduce Commission resources devoted to processing applications and stated the Commission’s intent to “redirect resources toward enforcement of the rules.”

Commenters have urged the Commission to hold manufacturers accountable for inaccuracies in their equipment authorization applications. The Commission clarifies that current Commission rules already hold applicants, including manufacturers, liable for the types of misconduct referenced in these commenters. Section 2.911(d) of the Commission’s rules require applicants to provide “a written and signed certification . . . that all statements it makes in its request for equipment authorization are true and correct to the best of its knowledge and belief.” Submitting false information in an equipment authorization violates the Commission’s rules requiring truthful and accurate statements to the Commission. When an applicant submits written materials, a violation may occur even absent an intent to deceive; a factually inaccurate statement in an equipment authorization application may violate § 1.17(a)(2) of the Commission’s rules if it is provided without a reasonable basis. The Commission takes very seriously the duty of candor that all applicants, including manufacturers, owe when they apply for equipment authorizations. In 2024, the Commission proposed the statutory maximum civil penalties against a Chinese doorbell camera manufacturer for submitting false certifications under § 2.911(d) in its equipment authorization application. The Commission further notes that violations of the Communications Act or the Commission’s also can result in seizure of equipment through *in rem* forfeiture actions, as well as criminal sanctions, including imprisonment. The

Commission will not hesitate to refer violations to federal law enforcement partners when warranted by the facts, especially when violations implicate national security equities.

The Commission also received comments that the Commission should hold test labs accountable for deficient test results. The Commission agrees that such behavior may violate the impartiality provisions of IEC/ISO 17025, a requirement for FCC test lab recognition. The Commission clarifies that its rules provide that test labs that submit false test results may also be in violation of the requirement in § 1.17 of the Commission’s rules requiring truthful and accurate statements. The Commission further clarifies that a TCB that willfully or repeatedly submits fraudulent or unreliable test results may likewise be in violation of the impartiality provisions of IEC/ISO 17065, and by extension, the requirements for FCC recognition of TCBs.

E. Confidential Reporting Channels

The Commission sought comment on any other measures the Commission might take to strengthen the integrity of the post-market surveillance process.

The Commission agrees with these comments and directs OET to create a confidential channel for professionals, industry participants, and other key stakeholders in the Commission’s equipment authorization program to report suspected violations and national security concerns. The Commission agrees with the DOJ NSD comment that market dynamics and commercial relationships may dissuade participants from reporting concerns. Industry participants may be especially deterred from reporting publicly if their concerns involve a nation-state actor with the capability to retaliate.

F. Consolidated List of “Prohibited Entities”

Current Commission rules incorporate numerous sources in the definition of “prohibited entity.” Moreover, current Commission rules incorporate numerous sources in this definition, including the FCC Covered List and other lists promulgated by the Departments of Commerce, Homeland Security, and Treasury, as well as multiple statutes naming entities. In response to the *EA Integrity* FNPRM, three TCBs commented on the difficulties they have faced and proposed that the Commission provide more data tools to help TCBs review for prohibited entities.

The Commission agrees with these commenters. The Commission finds that

organizing and sharing more information with TCBs will help them screen prohibited entities more efficiently. Creating a consolidated list will promote the integrity of the Commission’s equipment authorization program. The Commission also finds such a list would streamline and alleviate unnecessary administrative compliance burden on the Commission’s TCBs, all of whom are based in the United States or allied MRA nations. The Commission’s TCBs are valuable partners in its shared mission of ensuring the safety and security of Americans’ electronic devices—and its national security. The Commission directs OET to create a single consolidated list of prohibited entities under § 2.902 of its rules and to share it with TCBs in human and, to the extent feasible given limited resources, machine-readable format. The Commission also directs OET to update that list on a timely basis.

Order on Reconsideration

Garmin International, Inc. submitted a Petition for Reconsideration on September 8, 2025, requesting that the Commission reconsider the ownership reporting requirement adopted in the Commission’s *First EA Integrity R&O* and codified in §§ 2.949(d)(9), 2.951(c), and 2.962(d). The requirement in question requires TCBs and test labs to report ownership changes of five percent or more equity in the entity no later than 30 days after the relevant change takes effect. Garmin maintains that the new requirement creates unnecessary challenges for U.S. publicly traded companies and is in conflict with the timeline for the ownership reporting requirements of the SEC’s Exchange Act Rule 13d–1. Garmin petitioned the Commission to either modify the relevant sections and align the deadlines with the SEC reporting requirements or to exempt U.S. equipment authorization entities from the reporting requirement entirely. Garmin reiterated their argument in comments submitted in response to public notice of its petition. Likewise, comments of the Consumer Technology Association (CTA) echoed Garmin’s concerns and recommended that the Commission either adopt Garmin’s recommendations or provide an exemption to equipment authorization entities based in countries in an MRA with the United States.

The Commission grants Garmin’s Petition and amends §§ 2.949(d)(9), 2.951(c), and 2.962(d) of its rules as applied to U.S. publicly traded companies so that the 30-day notice deadlines set forth in these rules are

triggered by actual knowledge regarding a new or former five percent owner, rather than triggered by when the ownership change takes effect. Specifically, the Commission amends its rules to define the appropriate trigger as actual knowledge of the new five percent owner, such as the filing of the appropriate Schedule 13D and/or 13G by the acquirer as required by the SEC. The Commission believes this change will allow publicly traded companies, if they otherwise lack actual knowledge, to rely on public information that they can be reasonably expected to obtain without additional cost burdens, while avoiding substantial delays in the transmission of foreign ownership information to the Commission.

Benefits and Costs

Benefits. The adopted rules will enhance the integrity and security of the equipment authorization program, yielding cost saving and other benefits that outweigh the associated compliance costs. By incentivizing domestic testing through a fast-track PAG process, the Commission strengthens supply chain resilience and reduces reliance on foreign entities that pose national security risks. This approach mitigates threats such as intellectual property theft and foreign surveillance, thus ensuring that sensitive technologies are evaluated in secure environments. These benefits extend beyond national security; they also promote consumer confidence in FCC-certified devices and foster a robust U.S. testing ecosystem. In addition to these potentially substantial, but difficult to quantify benefits from enhancing national security and fostering a robust U.S. testing environment, a fast track review process could also potentially save time for certifications made by U.S. laboratories and TCBs, decreasing labor costs and decreasing the time that it takes to bring new products to market.

Although the benefits of enhanced national security and the strengthening of the equipment authorization process can be substantial, the Commission does not attempt to quantify them here. The Commission finds that the cost savings to applicants already eligible for the fast track PAG process alone, outweigh the costs associated with the adopted rules. In 2025, OET reviewed approximately 3,369 PAG applications, including 579 submitted through U.S.-based test labs and TCBs. Assuming the fast-track PAG process affects 10% of domestic PAG applications and reduces time spent by technical staff in filing the application and responding to Commission inquiries by 32 hours per expedited

PAG applications, the Commission estimates that the adopted rule will result in approximately \$218,000 in annual cost savings to applicants using U.S.-based test labs and an additional \$552,000 in annual cost savings to applicants using Trusted Test Labs outside the United States. This estimate is highly conservative, as it does not account for the substantial benefits of reducing the time that it takes to bring products to market. This estimate is also likely too low because it assumes the volume of domestic PAG applications remains unchanged following the adoption of this rule. If applicants increase PAG submissions through Trusted Test Labs as a result of the expedited process for domestic applications, the benefits would exceed the Commission's current estimate.

The Commission finds that adopting the rules to revise post-market surveillance procedures, strengthen enforcement mechanisms, establish confidential reporting channels, and create a machine-readable list of prohibited entities will provide greater regulatory clarity, deter violations, and prevent equipment posing unacceptable risks from entering U.S. markets. In addition, granting Garmin's Petition for Reconsideration aligns the Commission's ownership reporting requirements with SEC timelines and minimize burdens on publicly traded companies.

The costs imposed by these rules—such as reporting employee locations and implementing enhanced post-market surveillance—are modest and primarily administrative. These measures are essential to assess impartiality and compliance with Commission rules, and they align with existing ISO standards that TCBs and test labs already follow. The Commission finds that the cost of complying with the updated post-market surveillance guidance under OET directives is negligible because TCBs already incur these compliance costs whenever updates are issued. The Commission does not provide a separate estimate of the cost for applicants to shift applications from non-U.S. based test labs and TCBs to U.S.-based facilities because such decisions are entirely voluntary and would only occur when applicants determine that the benefits of doing so outweigh the associated costs. The Commission finds that the fast-track PAG process will yield annual benefits of approximately \$770,000, which exceeds the estimated annual reporting cost of approximately \$16,000, not to mention additional unquantified benefits such as enhanced

national security and a strengthened equipment authorization process.

Ordering Clauses

It is ordered, pursuant to the authority found in sections 1, 4(i), 229, 301, 302, 303, 309, 312, 403, and 503 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154(i), 229, 301, 302a, 303, 309, 312, 403, and 503, section 105 of the Communications Assistance for Law Enforcement Act, 47 U.S.C. 1004; the Secure and Trusted Communications Networks Act of 2019, 47 U.S.C. 1601 1609; and the Secure Equipment Act of 2021, Public Law 117 55, 135 Stat. 423, 47 U.S.C. 1601 note, that this *Second Report and Order* and *Order on Reconsideration* is hereby adopted.

It is ordered that the amendments of part 2 of the Commission's rules are adopted, effective 30 days after the date of publication in the **Federal Register**, with the exception of sections that contain new or modified information collection requirements that require review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act. The Commission directs the Office of Engineering and Technology to establish and announce the effective date of these sections in a document published in the **Federal Register** after completion of OMB review.

It is ordered that the petition for reconsideration of Garmin International, Inc., submitted September 8, 2025, in this docket is *granted* to the extent discussed herein.

It is ordered that the Commission's Office of the Secretary, SHALL SEND a copy of this *Second Report and Order* and *Order on Reconsideration*, including the Final Regulatory Flexibility Analyses, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy.

It is ordered that the Office of the Managing Director, Performance Program Management, SHALL SEND a copy of the *Second Report and Order* in a report to be sent to Congress and the Government Accountability Office pursuant to the Congressional Review Act, 5 U.S.C. 801(a)(1)(A).

List of Subjects in 47 CFR Part 2

Administrative practice and procedures, Communications equipment, Reporting and recordkeeping requirements, Telecommunications.

Federal Communications Commission.

Aleta Bowers,

Federal Register Liaison Officer, Office of the Secretary.

Final Rules

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR part 2 as follows:

PART 2—FREQUENCY ALLOCATIONS AND RADIO TREATY MATTERS; GENERAL RULES AND REGULATIONS

- 1. The authority citation for part 2 continues to read as follows:

Authority: 47 U.S.C. 154, 302a, 303, and 336, unless otherwise noted.

- 2. Delayed indefinitely, further amend § 2.949 by adding paragraphs (b)(5) and (6) and (d) to read as follows:

§ 2.949 Recognition of laboratory accreditation bodies.

* * * * *

(b) * * *

(5) Certification to the Commission that the laboratory accreditation body is not owned by, controlled by, or subject to the direction of a prohibited entity pursuant to § 2.902.

(6) Documentation to the Commission identifying any entity that has equity or voting interests of 5% or greater in the laboratory accreditation body.

* * * * *

(d) Each recognized laboratory accreditation body must provide to the Commission, in accordance with § 2.950 and no later than 30 days after any relevant change to the required information takes effect, or in the case of U.S. publicly traded companies, after having actual knowledge of any relevant change:

(1) Certification to the Commission that the laboratory accreditation body is not owned by, controlled by, or subject to the direction of a prohibited entity pursuant to § 2.902.

(2) Documentation to the Commission identifying any entity that has equity or voting interests of 5% or greater in the laboratory accreditation body.

* * * * *

- 3. Amend § 2.951 by adding and reserving paragraphs (a)(10) and (11) and adding paragraph (a)(12) to read as follows:

§ 2.951 Recognition of measurement facilities.

(a) * * *

(12) The number and location of all employees or agents that are engaged in FCC-recognized testing and/or

certification, including those based outside the United States.

* * * * *

- 4. Delayed indefinitely, further amend § 2.951 by adding paragraphs (a)(10) and (11) and (c) to read as follows:

§ 2.951 Recognition of measurement facilities.

(a) * * *

(10) Certification to the Commission that the laboratory is not owned by, controlled by, or subject to the direction of a prohibited entity pursuant to § 2.902.

(11) Documentation to the Commission identifying any entity that has equity or voting interests of 5% or greater in the laboratory.

* * * * *

(c) Each recognized laboratory must provide to the Commission, in accordance with § 2.950 and no later than 30 days after any relevant change to the required information takes effect, or in the case of U.S. publicly traded companies, after having actual knowledge of any relevant change:

(1) Certification to the Commission that the laboratory is not owned by, controlled by, or subject to the direction of a prohibited entity pursuant to § 2.902.

(2) Documentation to the Commission identifying any entity that has equity or voting interests of 5% or greater in the laboratory.

* * * * *

- 5. Amend § 2.960 by adding paragraph (a)(8) to read as follows:

§ 2.960 Recognition of Telecommunication Certification Bodies (TCBs).

(a) * * *

(8) Demonstrates impartiality and compliance with Commission rules by disclosing the number and location of all employees or agents that are engaged in FCC-recognized testing and/or certification, including those based outside the United States.

* * * * *

- 6. Delayed indefinitely, further amend § 2.962 by adding paragraph (d)(9) to read as follows:

§ 2.962 Requirements for Telecommunication Certification Bodies.

* * * * *

(d) * * *

(9) Provide to the Commission, in accordance with § 2.950 and no later than 30 days after any relevant change to the required information takes effect, or in the case of U.S. publicly traded companies, after having actual knowledge of any relevant change:

(i) Certification to the Commission that the TCB is not owned by, controlled

by, or subject to the direction of a prohibited entity pursuant to § 2.902; and

(ii) Documentation to the Commission identifying any entity that has equity or voting interests of 5% or greater in the TCB.

* * * * *

- 7. Amend § 2.964 by revising paragraph (a) to read as follows:

§ 2.964 Pre-approval guidance procedure for Telecommunication Certification Bodies.

(a) The Commission will publish a “Pre-approval Guidance (PAG) List” identifying the categories of equipment or types of testing for which Telecommunication Certification Bodies (TCBs) must request guidance from the Commission before approving equipment on the list. The PAG list will prioritize for approval equipment tested in Trusted Test Labs, *i.e.*, test labs located in the United States or those test labs located in the territory of an economy with which the United States has negotiated reciprocal treatment through a trade agreement.

* * * * *

[FR Doc. 2026–09822 Filed 5–14–26; 8:45 am]

BILLING CODE 6712–01–P

DEPARTMENT OF TRANSPORTATION

Federal Railroad Administration

49 CFR Part 243

[Docket No. FRA–2020–0017, Notice No. 2]

RIN 2130–AC87

Training, Qualification, and Oversight for Safety-Related Railroad Employees

AGENCY: Federal Railroad Administration (FRA), Department of Transportation (DOT).

ACTION: Final rule.

SUMMARY: In response to petitions for rulemaking, FRA is issuing this final rule to amend its regulation on Training, Qualification, and Oversight for Safety-Related Railroad Employees (Training Rule) to codify agency guidance and clarify existing requirements.

DATES: This regulation is effective July 14, 2026.

ADDRESSES: For access to the docket to read background documents or comments received, go to <https://www.regulations.gov> and follow the online instructions for accessing the docket.

FOR FURTHER INFORMATION CONTACT: Mike Long, Director, Office of Outreach, Office of Railroad Safety, FRA,

telephone: 202–493–8034, email: mike.long@dot.gov; or Alan Nagler, Senior Attorney, Office of the Chief Counsel, FRA, telephone: 202–493–6038, email: alan.nagler@dot.gov.

SUPPLEMENTARY INFORMATION:

Abbreviations and Terms Used in This Document

ANSI—American National Standards Institute
 APTA—American Public Transportation Association
 ASLRRRA—American Short Line and Regional Railroad Association
 ASSP—American Society of Safety Professionals
 BMWED—Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters
 BRS—Brotherhood of Railroad Signalmen
 E.O.—Executive Order
 FRA—Federal Railroad Administration
 MTA—Metropolitan Transportation Authority
 NEPA—National Environmental Policy Act
 NPRM—Notice of proposed rulemaking
 NRC—National Railroad Construction and Maintenance Association, Inc.
 OJT—On-the-job
 OMB—Office of Management and Budget
 OSHA—U.S. Occupational Safety and Health Administration
 PHMSA—Pipeline and Hazardous Materials Safety Administration
 RSIA—Rail Safety Improvement Act of 2008

Table of Contents for Supplementary Information

- I. Executive Summary
- II. Background
- III. Discussion of Comments and FRA's Response
- IV. Section-by-Section Analysis
- V. Regulatory and Statutory Requirements
 - A. Executive Order 12866 and Executive Order 14192
 - B. Regulatory Flexibility Act and Executive Order 13272
 - C. Paperwork Reduction Act
 - D. Federalism Implications
 - E. International Trade Impact Assessment
 - F. Environmental Impact
 - G. Unfunded Mandates Reform Act of 1995
 - H. Energy Impact
 - I. Executive Order 13175 (Tribal Consultation)

I. Executive Summary

Purpose of the Regulatory Action and Legal Authority

On November 7, 2014, in response to a mandate in section 401(a) of the Rail Safety Improvement Act of 2008 (RSIA),¹ and following a notice of proposed rulemaking (NPRM) published on February 7, 2012 (2012 NPRM),² FRA

published a final rule (2014 Final Rule) establishing regulations at 49 CFR part 243—Training, Qualification, and Oversight for Safety-Related Railroad Employees (part 243). The rule established minimum training standards for safety-related railroad employees and required railroad carriers, contractors, and subcontractors to develop and submit certain training programs to FRA for approval.³ FRA subsequently issued final rules in 2017 and 2018 that delayed the implementation dates in the 2014 Final Rule for two years.⁴

On June 27, 2019 and July 31, 2019, FRA received joint petitions for rulemaking filed by the American Short Line and Regional Railroad Association (ASLRRRA) and the National Railroad Construction and Maintenance Association, Inc. (NRC) (together, “the Associations”) requesting additional delays to the implementation dates and other changes to the 2014 Final Rule; these petitions were docketed in DOT’s Docket Management System as FRA–2019–0050. On January 2, 2020, FRA responded to the Associations’ petitions for rulemaking by issuing a final rule further delaying the regulation’s implementation dates for all contractors and for those Class II and III railroads that are not intercity or commuter passenger railroads with 400,000 total employee work hours annually or more.⁵

With respect to the Associations’ remaining requests in the petitions for rulemaking, FRA’s January 2, 2020 final rule stated that FRA was considering addressing these requests in a separate rulemaking.⁶ FRA initiated a rulemaking to address these remaining petition requests by issuing an NPRM on October 3, 2022.⁷ After considering comments received on the NPRM (discussed below), and in response to the Associations’ remaining petition requests, FRA is issuing this final rule

to revise part 243 to clarify current requirements, codify existing guidance, and remove regulatory provisions that are obsolete.

Costs and Benefits

FRA estimates the final rule will provide cost savings of \$1.1 million based on a one-year relief period to small entities for annual refresher training requirements. FRA also expects that this final rule will provide the railroad industry and FRA with several qualitative benefits. These benefits are discussed in Section V (Regulatory and Statutory Requirements) and include: (1) providing clarity to the regulated community, thereby facilitating compliance with the regulatory requirements; and (2) making it easier for FRA to administer the requirements of part 243.

II. Background

In the 2014 Final Rule, FRA stated its intention to issue a compliance guide with a primary emphasis on assisting small entities, but which could also be used by any employer.⁸ FRA anticipated that the compliance guide would also help model program developers in drafting programs to be adopted by small railroads and contractors. On May 1, 2015, FRA issued an interim compliance guide that was made available for immediate effectiveness in the 2014 Final Rule docket.⁹ FRA sought comments on the interim compliance guide for potential modification.¹⁰

On May 25, 2016, FRA responded to comments and posted its first version of the final compliance guide.¹¹ On November 30, 2016, FRA posted a second version of the final compliance guide,¹² largely to publish FRA’s answers to questions received from the regulated community that would benefit from broad dissemination. When FRA amended the implementation dates with the 2017 Final Rule and 2018 Final Rule, FRA made conforming changes to the final compliance guide and posted the revised version on FRA’s website at <https://railroads.dot.gov/divisions/safety-partnerships/training-standards-rule>. Additional guidance on the requirements of part 243 can also be found at that location on FRA’s website.

This final rule addresses two of the overarching concerns expressed in the Associations’ petitions for rulemaking: (1) that FRA provide sufficient certainty

³ 79 FR 66459 (Nov. 7, 2014).

⁴ On May 3, 2017, FRA published a final rule (2017 Final Rule) that delayed implementation dates in the 2014 Final Rule by one year. 82 FR 20549. On May 22, 2017, the ASLRRRA filed a petition for reconsideration of the 2017 Final Rule, and FRA responded by publishing a final rule on April 27, 2018 (2018 Final Rule) that granted ASLRRRA’s request to delay the implementation dates by an additional year. 83 FR 18455.

⁵ 85 FR 10 (Jan. 2, 2020).

⁶ *Id.* (stating FRA’s intent to initiate a separate rulemaking that would be limited to amending FRA’s training regulation so that the regulatory text includes the latest guidance intended to help small entities and other users of model programs). Addressing the Associations’ remaining requests in a separate rulemaking was consistent with FRA’s previous statement on the subject. 84 FR 64447, 64449 (Nov. 22, 2019).

⁷ 87 FR 59749.

⁸ 79 FR 66474.

⁹ Document number FRA–2009–0033–0031, att. 2.

¹⁰ Document number FRA–2009–0033–0031, att.1.

¹¹ Document number FRA–2009–0033–0035.

¹² Document number FRA–2009–0033–0036.

¹ Public Law 110–432, 122 Stat. 4883 (Oct. 16, 2008), codified at 49 U.S.C. 20162. The Secretary of Transportation delegated the authority to carry out this mandate to the Federal Railroad Administrator. 49 CFR 1.89(b).

² 77 FR 6412 (Feb. 7, 2012).

as to how the agency will apply the requirements of part 243 by converting existing part 243 guidance into regulatory text; and (2) that FRA adopt specific regulatory text changes to facilitate compliance with part 243.¹³ Please see the NPRM for a detailed discussion of the Associations' petition requests that FRA is addressing through this rulemaking,¹⁴ as well as a summary of other part 243 guidance FRA has provided to the regulated community, but that the petitions for rulemaking did not address.¹⁵

III. Discussion of Comments and FRA's Response

FRA received eight written comments in response to the NPRM, including a joint comment submitted by the Associations. The other commenters were the American Public Transportation Association (APTA); American Society of Safety Professionals (ASSP); the Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters (BMWED); the Brotherhood of Railroad Signalmen (BRS); the Metropolitan Transportation Authority (MTA); and several individuals. One comment from an individual was not germane to the rulemaking¹⁶ and therefore will not be discussed further. The other three comments were from students at the Bush School of Government & Public Service at Texas A&M University (Texas A&M Students). FRA did not receive a request for a public hearing, and none was provided.

Most of the comments are discussed in this section and apply generally to the final rule as a whole. Some of these general comments are also discussed in the Section-by-Section Analysis to assist with clarity. The remaining comments that relate to specific provisions are discussed in the relevant Section-by-Section analysis. The order in which the comments are discussed, whether by issue or by commenter, is not intended to reflect the significance of the

comment raised or the standing of the commenter.

Comments Expressing General Support

Several commenters supported the changes proposed in the NPRM. Specifically, the Associations expressed support for the proposed changes that would amend part 243 consistent with current FRA guidance to small entities. Similarly, BRS noted full support for the proposed changes, citing the importance of all safety-related employees being properly trained and qualified. BRS also encouraged FRA to end the delay in implementation of this rule. BMWED expressed general support for the proposed changes, especially those changes that: lead to consistent training requirements, require railroad workers to participate in the development of new technology for the industry, and ensure that workers are trained in new technology. The Texas A&M Students also expressed general support for the proposed changes and provided specific recommendations to ease the burden on employers.

Refresher Training

The Associations and the Texas A&M Students raised concerns about the administrative and paperwork burden associated with refresher training. For instance, the Associations expressed general concern that companies would incur administrative burdens in performing, tracking, and scheduling refresher training, and recommended ways in which the burden could be reduced. The Associations' comment requested that FRA allow railroads to provide a methodology in their part 243 submissions for assessing whether an employee needs refresher training, as opposed to the rule's current requirement to provide refresher training for all employees at least every three calendar years. The Associations assert that this change would allow Class II and III railroads to use existing operational testing programs, under a different FRA regulation,¹⁷ to identify which employees need refresher training, thereby ensuring that employees who need refresher training receive it, while reducing the burden on railroads of providing refresher training for all employees. The Associations state that approximately two percent of short line and regional railroad workers fail such testing and thus, refresher training should be limited to only the small percentage of employees who have a demonstrated need.

Meanwhile, the Texas A&M Students commented that they are concerned about any increase in the administrative and paperwork burden for management, especially for smaller contractors, even while they expressed a conclusion that "these burdens are not significant enough to prevent the FRA from making these changes."¹⁸ The Texas A&M Students also expressed specific support for the revised refresher training definition and refresher training requirements generally because they viewed such training as a review of important safety skills and regulations governing the railroad industry that could reasonably be expected to improve the consistent application of safety requirements and increase efficiency.

BMWED expressed support for the proposed revisions to the definition of refresher training that emphasized improving the skills and knowledge of existing employees and deleting the "to remain qualified" language in the existing rule that it alleges could be used by employers to diminish an employee's labor or employment law rights.

FRA Response—Refresher Training

FRA agrees with some of the broad concerns raised by the Associations about the refresher training burden and the final rule addresses aspects of those concerns. For instance, FRA agrees with the Associations' comment that some employees may not need refresher training on longstanding requirements that are complied with regularly and that can be confirmed through testing. Therefore, FRA will include a test out option. However, the existing operational efficiency testing, conducted under a different FRA rule, is too narrow to fully substitute for refresher training because it does not require training on new equipment and technology, topics which could be included in refresher training. Further, the existing operational efficiency testing programs may focus on certain knowledge or skills but not necessarily cover the critical duties assigned to an employee. Also, the type of testing a person receives during or at the conclusion of formal training, such as initial or refresher training required under part 243, must be part of a structured and defined curriculum that may be significantly different from the type of testing that occurs during existing operational efficiency testing. For these reasons, the test out option in this final rule will require that such testing be designed to determine that an

¹³ Document number FRA-2019-0050-0001, att. 2. FRA notes that representatives of the Associations met with FRA on January 17, 2020 to discuss their requests for greater clarity pertaining to the requirements for refresher training, program submission, model program adoption, and periodic oversight. A follow-up meeting with the Associations was held by phone on December 4, 2020 so that FRA could express its continuing interest to respond to the petitions for rulemaking and the Associations could emphasize concerns of greatest interest to their members.

¹⁴ 87 FR 59750-52. The NPRM also responded to the Associations' petition requests that FRA is not addressing in this final rule, and which therefore will not be discussed further here. *Id.* at 59752-53.

¹⁵ *Id.* at 59750-53.

¹⁶ FRA-2020-0017-0003.

¹⁷ 49 CFR part 217 (regulating railroad operating rules).

¹⁸ FRA-2020-0017-0010 at 3.

employee has the critical knowledge and skills to perform the safety-related duties assigned and meet the equivalent standards for formal testing on the same subject matter but will not be based on existing operational efficiency testing. As further explained in the section-by-section analysis for refresher training in § 243.201(e), an employee will generally be allowed to test out of a refresher training if the employee has previously received formal training on the subject matter.

Including the test out option is a change from FRA's position in the 2022 NPRM at § 243.201(e)(3)(ii), which would have prohibited an employee from testing out of refresher training.¹⁹ In reviewing the comments on the 2022 NPRM, the 2022 NPRM itself, and the prior rulemaking on this subject in which the agency rejected allowing employees to test out of refresher training, FRA finds that it had over-emphasized the lack of a specific statutory test out option and therefore narrowly interpreted the need for "ongoing training." Notably, the more complete statutory phrase requires "a minimum training curriculum, and ongoing training criteria, testing, and skills evaluation measures."²⁰ Accordingly, FRA determined that, although some employers may decide to reject a test out option for the reasons FRA provided, including a test out option is more consistent with the statutory language.

Regarding the comments on the administrative and paperwork burden, this final rule does not impose any new refresher training requirements. The final rule instead makes clarifying revisions related to the existing refresher training requirements, which would not increase the costs of compliance with the regulation and the costs associated with refresher training were previously addressed for the 2014 Final Rule.²¹ To further reiterate this point, the Paperwork Reduction Act (PRA) table in the Regulatory Impacts and Notices section contains a row indicating that the paperwork burden on refresher training (§ 243.201(e)) was already accounted for under § 243.203.

Because the comments regarding the proposed revised definition of "refresher training" were positive and FRA did not find further clarification necessary, the final rule amends the definition as proposed. The revised

definition explains the purpose of refresher training and distinguishes it from initial training—issues that were addressed in the proposed rule.²²

Implementation Dates

APTA and MTA raised concerns that FRA's proposal to remove the implementation dates from § 243.201 would create ambiguity regarding whether initial and on-the-job (OJT) training requirements apply to employees whose designation was declared by the implementation date. APTA and MTA asked FRA to clarify, in the preamble or regulatory text, that this proposal would not impact the initial qualification for an employee whose designation was declared by the applicable implementation date and that any such initial qualification designations remain in effect.

FRA Response—Implementation Dates

The 2014 Final Rule established specified implementation dates in § 243.201(a)(1) and (2) by which employers were required to designate existing employees who would not be required to complete initial training per the employer training program submitted under § 243.101.²³ FRA proposed removing the implementation dates in § 243.201 to remove deadlines that have already passed and are no longer necessary.²⁴ FRA understands that removal of the implementation dates, although not intended to cause a substantive change, concerned some commenters on how the proposed rule could be read to potentially invalidate the exemption provided in the 2014 Final Rule. Thus, to provide the clarity requested by APTA and MTA, FRA is including regulatory text in § 243.201(a)(3)(i) that will expressly specify that the requirements in this paragraph do not impact the designation of existing safety-related railroad employees by the removal of the implementation dates.

Further, to provide additional regulatory relief for small entities, the final rule is delaying the refresher training implementation deadline by one year to December 31, 2026, in § 243.201(e)(2).

Scope of Part 243

Comments from BMWED and ASSP suggested that FRA expand the purpose and scope section in part 243 to address certain issues. For instance, BMWED

quoted the preamble of the 2012 NPRM, which clarified that "FRA does not regulate employment issues and will leave those issues to be settled in accordance with any applicable collective bargaining agreement or employment and labor law,"²⁵ and requested that FRA add some similar language in the regulatory text. Specifically, BMWED suggested that a paragraph (f) be added to § 243.1 stating that "[n]othing in this part diminishes any rights, privileges, or remedies a safety-related railroad employee may have under any collective bargaining agreements or State or Federal laws." BMWED suggested that adding such regulatory text would "recognize that disputes concerning the application of the [collective bargaining agreement] related to training, promotion and qualification, as well as allegations of illegal discrimination under State or Federal law, can and do arise."²⁶

ASSP requested clarification on how part 243 "transcends" with the requirements administered by the U.S. Occupational Safety and Health Administration (OSHA). In addition, ASSP commented that because some railroads "seem to be lacking in hazmat knowledge" FRA ought to consider including some form of hazardous materials training under part 243 and specifically suggested including the requirements of 49 CFR part 174, which covers the transportation of hazardous materials by rail.

FRA Response—Scope of Part 243

In response to BMWED's comment, FRA reiterates that part 243 does not impact aspects of the employment relationship defined by collective bargaining agreements or employment and labor law. Accordingly, FRA declines to add regulatory text as a clarification because it is unnecessary.²⁷

ASSP's comment on the interaction between part 243 and OSHA requirements is beyond the scope of this rulemaking, which is limited to codifying FRA guidance and clarifying existing part 243 requirements in response to petitions for rulemaking. However, in response to ASSP's comment, FRA clarifies here that part

²⁵ As stated in the 2012 NPRM and quoted by BMWED, "Of course, FRA does not regulate employment issues and will leave those issues to be settled in accordance with any applicable collective bargaining agreement or employment and labor law." 77 FR 6435 and FRA-2020-0017-0007.

²⁶ FRA-2020-0017-0007 at 2.

²⁷ See, e.g., 79 FR 66466 (explaining that it is unnecessary to add a statement such as the one recommended in the comment based on principles set forth in Executive Order 13132 and affirmed in the Presidential Memorandum regarding preemption issued on May 20, 2009).

¹⁹ 87 FR 59758, 59768.

²⁰ 79 FR 66469-70 and 49 U.S.C. 20102. In the 2014 final rule, FRA discussed that no comments were received on a test out option but provided reasons why FRA did not consider a test out option to be viable.

²¹ Section 243.201(e)(1) and (2).

²² 87 FR 59754.

²³ 77 FR 6412, 6434-6435 (explaining in the proposed rule why both employers and labor organizations supported exempting existing employees from initial training).

²⁴ 87 FR 59757.

243 covers training on Federal railroad safety laws, regulations, and orders, as well as any railroad rules and procedures promulgated to implement those Federal requirements. Part 243 does not limit or override OSHA's jurisdiction except as explicitly noted by FRA and OSHA.²⁸

ASSP's comment regarding hazardous materials training is beyond the scope of the NPRM. The purpose of this rulemaking is to codify FRA guidance and clarify existing part 243 requirements in response to petitions for rulemaking. The NPRM did not propose any changes to part 243 involving the application of that part to hazardous materials training. Further, FRA has declined to regulate the training of hazardous materials employees through part 243 because that training is already sufficiently covered by DOT regulations promulgated by the Pipeline and Hazardous Materials Safety Administration (PHMSA).²⁹ FRA specifically stated in 49 CFR 243.1(e) that "The requirements in this part do not address hazardous materials training of 'hazmat employees' as defined in 49 CFR 171.8 as such training is required pursuant to 49 CFR part 172, subpart H." The preamble to the 2014 Final Rule contains further explanation of FRA's decision to leave hazardous materials training out of part 243. For more discussion of this issue, please refer to the preamble of the 2014 Final Rule.³⁰

Consensus Standards

ASSP's comment stated that FRA should use national consensus standards in the regulatory process and specifically suggested that part 243 include by reference two American National Standards Institute (ANSI standards): ANSI/ASSP Z490.1–2016 Criteria for Accepted Practices in Safety, Health and Environmental Training and ANSI/ASSP Z10.0–2019 Occupational Health and Safety Management Systems.

FRA Response—Consensus Standards

ASSP's comment requesting FRA to consider incorporating by reference ANSI standards is beyond the scope of the NPRM. Further, the ANSI standards that ASSP identifies fall outside of the scope of part 243 because they establish

criteria and management tools related to occupational health, safety, and environmental training programs. As required by statute, part 243 covers training regarding Federal railroad safety laws, regulations, and orders, as well as those railroad rules and procedures promulgated to implement those Federal requirements.³¹ While one effect of part 243 may be increased safety for railroad employees and railroad contractors and subcontractors, the purpose of part 243's minimum training standards is to ensure that railroad employees and contractors have the knowledge necessary to comply with Federal railroad safety laws, regulations, and orders, as well as railroad rules and procedures implementing these requirements.

IV. Section-by-Section Analysis

This section describes the regulatory revisions made in this final rule. Where FRA is adopting the NPRM proposals exactly as proposed, FRA is not repeating the full section-by-section analysis for each relevant provision. Instead, FRA refers readers to the complete section-by-section analysis for those regulatory provisions in the NPRM's preamble.

Subpart A—General

Section 243.1—Purpose and Scope

Section 243.1 sets forth the purpose and scope of part 243. As proposed in the NPRM, the final rule is adding new paragraphs (f) and (g) to this section to incorporate existing guidance related to railroad bridge engineers and non-railroad employees who perform elective audits or assessments. Paragraph (f) codifies guidance in the compliance guide, which explains that part 243 does not apply when the training required under FRA's regulations is obtained through earning a college degree or certification from an accredited training organization or learning institution.³² Paragraph (g) codifies guidance in the compliance guide clarifying that employers are not required to train non-railroad employees (e.g., contractors or employees of the Short Line Safety Institute) who perform elective audits or assessments that are not required by Federal railroad safety laws, regulations, or orders.³³

Because FRA did not receive any comments regarding the proposed

changes to § 243.1, the final rule adopts the language as proposed.³⁴

Section 243.3 Application and Responsibility for Compliance

Section 243.3 provides that part 243 applies to all railroads, contractors of railroads, and training organizations or learning institutions that train safety-related railroad employees (subject to specified exceptions³⁵). The section also provides that any person, including a railroad or a contractor for a railroad, that performs any duty covered by part 243 is responsible for performing that duty in accordance with part 243. In response to industry requests, FRA has allowed parent and holding companies to submit training programs on behalf of their subsidiaries if the filing thoroughly describes which companies are covered by the submission and how each company is covered.

As proposed in the NPRM, to clarify that this process conforms with the requirements of part 243, FRA is adding paragraph (c) to § 243.3 explaining how a parent or holding company may comply with the requirements of this part on behalf of one or more subsidiaries. FRA's decision to accept programs filed by parent or holding companies on behalf of their subsidiaries is based on the recognition that companies that are legally related may share company rules or operating practices that make it possible to share a training program. FRA's revisions to this section are intended to ensure that all companies covered by a submission are legally bound by and accept the submission, and that subsidiaries may opt out of a parent or holding company's submission, in whole or in part.

Because FRA did not receive any comments regarding the proposed changes to § 243.3, the final rule adopts the language as proposed.³⁶

Section 243.5 Definitions

As proposed in the NPRM, to codify existing guidance and respond to questions from industry, FRA is revising two definitions and adding one new definition to this section. Specifically, FRA is revising the existing definitions of the terms "designated instructor" and "refresher training," and adding a new

²⁸ For example, part 243 may preempt a portion of OSHA's requirements related to cranes and derricks used for railroad roadway work. 85 FR 57109 (Sept. 15, 2020). OSHA's rule revised the OSHA standard for cranes and derricks in construction to provide specific exemptions and clarifications about the application of the standard to cranes and derricks used for railroad roadway work and reflected the preemption of some OSHA requirements by FRA.

²⁹ See e.g., 49 CFR part 172, subpart H.

³⁰ 79 FR 66466.

³¹ 49 U.S.C. 20162(a)(1).

³² Compliance Guide at 49–50 located at <https://railroads.dot.gov/elibrary/training-qualification-and-oversight-safety-related-railroad-employees-compliance-guide-0>.

³³ *Id.* at 43.

³⁴ 87 FR 59753.

³⁵ Section 243.3(a) contains exceptions for the following operations when they are not part of the general railroad system of transportation: railroads (or contractors to railroads) that only operate on track inside an installation; tourist, scenic, historic, or excursion operations; and rapid transit operations in urban areas.

³⁶ 87 FR 59753–54.

definition for the term “training organizations or learning institutions.”

First, as proposed in the NPRM, FRA is revising the definition of “designated instructor” to specify that a “designated instructor” is not required to be an employee of the employer and to explain that employers must ensure that employees and non-employees used as designated instructors have the necessary knowledge, skills, and abilities to provide sound coaching, mentoring, and guidance to new learners. As also proposed in the NPRM, FRA is adding a definition of “training organizations or learning institutions” to clarify which businesses that provide training to employers are “training organizations or learning institutions.” Because FRA did not receive any comments regarding either the revised “designated instructor” definition or the new “training organizations or learning institutions” definition, the final rule is adopting both as proposed.³⁷

Second, FRA is adopting the proposed revised definition of “refresher training.” The definition explains that the purpose of refresher training is to improve the job performance of existing employees by acquainting them with any changed standards, any relevant problematic issues, or new skills, methods, and processes, and also to ensure no important skills or knowledge have been lost due to lack of use. As explained in the NPRM, this explanation is intended to distinguish refresher training from initial training, which is targeted to employees who generally are new to the subject matter. The final rule clarifies that training programs or plans required elsewhere in this chapter but identified by a term other than refresher training are considered refresher training for purposes of this part, and not only subpart A, as the proposed rule could be construed.

Section III of this preamble discusses comments FRA received in response to the proposed revised definition of “refresher training” and explains FRA’s rationale for adopting the revisions as proposed.³⁸

Subpart B—Program Components and Approval Process

Section 243.101 Employer Program Required

As proposed in the NPRM, the final rule revises paragraphs (a) and (b) to remove certain implementation dates. Specifically, this final rule removes the implementation dates in paragraph (a)

for the requirement that an employer submit, adopt, and comply with a training program for its safety-related railroad employees. These implementation dates are no longer needed because the specified deadlines have passed. The finalized paragraph (a) therefore applies to each employer conducting operations subject to part 243. Similarly, paragraph (b) is also amended to remove an implementation date that has passed for employers commencing operations after January 1, 2020. As finalized, the rule will apply any time an employer commences operations.

FRA is also revising paragraphs (c), (e), and (f) as proposed in the NPRM. The revisions to paragraph (c) clarify that employers may create training programs based on applicable CFR parts, United States Code sections, or citations to orders. The revisions to paragraphs (e) and (f) clarify contractor responsibility to provide information to railroads and the types of documents contractors and railroads must retain under part 243.

Because FRA did not receive any comments regarding the proposed changes to § 243.101, the final rule is adopting the language as proposed.³⁹

Although not proposed in the NPRM, FRA is making a minor clarifying change to the language of paragraph (d)(1). Specifically, FRA is replacing the language “If a training program has OJT. . .” with the language “When a training program is required to include OJT. . .” to avoid creating an incorrect implication that OJT is not required. As specified in revised § 243.101(c)(5) and explained in the NPRM, OJT is required when tasks require neuromuscular coordination to learn, unless FRA approves alternative, formal training that addresses the need to practice safety-related tasks with the ability to objectively measure task completion proficiency.⁴⁰

Section 243.103 Training Components Identified in Program

As proposed in the NPRM, FRA is adopting four revisions to § 243.103. These revisions provide clarity regarding the training components that must be identified in an employer’s program and the information an employer must submit to FRA.

³⁹ *Id.* at 59755.

⁴⁰ *Id.* FRA has published as guidance an *OJT Matrix*, which shows the minimum type of training (i.e., formal training, OJT training, or briefing only) that FRA expects to see in a program covering each specific rail safety requirement under most circumstances, available at <https://railroads.dot.gov/elibrary/ojt-matrix>.

Because FRA did not receive any comments regarding the proposed changes to § 243.103, the final rule adopts the language as proposed.⁴¹

Section 243.105 Optional Model Program Development

As proposed in the NPRM, FRA is revising § 243.105, which permits the optional development of model programs that can be adopted by multiple employers. As proposed, the final rule removes paragraph (a)(3) to remove an outdated compliance date, revises paragraph (b), and adds paragraph (c) to add information to the regulatory text that was previously issued as guidance regarding model programs. Because FRA did not receive any comments regarding the proposed changes to § 243.105, the final rule adopts the language as proposed.⁴²

Section 243.107 Training Program Submission, Introductory Information Required

As proposed in the NPRM, FRA is revising paragraph (a), removing and reserving paragraph (b), and removing paragraph (c). These changes reduce regulatory burdens associated with submitting training programs by eliminating the need for employers to submit information that is unnecessary for FRA’s review and approval of training programs. Because FRA did not receive any comments regarding the proposed changes to § 243.107, the final rule adopts the revisions as proposed except for a change to paragraph (a)(4) from the proposal to clarify that the employer is required to state in the submission certain information about its training practices when it uses any combination “of the practices described in” paragraphs (a)(1) through (3) of this section.⁴³

Section 243.109 Initial and Refresher Training Program Submission, Review, and Approval Process

As proposed in the NPRM, FRA is revising this section to clarify that refresher training programs must be submitted to FRA for review and approval in the same manner as an employer’s initial training program. Because FRA did not receive any comments regarding the proposed changes to § 243.109, the final rule adopts the language as proposed.⁴⁴

⁴¹ *Id.* at 59755–56.

⁴² *Id.* at 59756.

⁴³ *Id.*

⁴⁴ *Id.*

³⁷ *Id.* at 59754–55.

³⁸ *Id.* at 59754.

Section 243.111 Approval of Programs Filed by Training Organizations or Learning Institutions

As proposed in the NPRM, FRA is adopting several revisions to this section to remove unnecessary requirements and eliminate regulatory ambiguity regarding programs filed by training organizations or learning institutions. Because FRA did not receive any comments regarding the proposed changes to this section, the final rule adopts the revisions as proposed.⁴⁵

Section 243.113 Electronic and Written Program Submission Requirements

As proposed in the NPRM, FRA is revising this section to clarify that when FRA refers to electronic program or informational filings submission requirements, FRA means submission through FRA's part 243 web portal. As proposed in the NPRM, FRA is also revising this section to eliminate the written program submission option for an employer with fewer than 400,000 total employee work hours annually and to clarify that to submit a training program through the part 243 web portal, a submitter will need to register for access to the portal. Because FRA did not receive any comments regarding the proposed changes to § 243.113, the final rule adopts the revisions as proposed.⁴⁶

Subpart C—Program Implementation and Oversight Requirements

Section 243.201 Employee Qualification Requirements

As proposed in the NPRM, FRA is making several revisions and additions to paragraphs (a)(1) and (2), including the removal of outdated implementation dates for designating existing employees as qualified to perform safety-related service. As adopted, paragraph (a)(1) reiterates the existing requirement that each employer must only permit employees appropriately trained and qualified to perform safety-related service. Paragraph (a)(2) addresses the Associations' petitions by permitting an employer to limit a safety-related railroad employee's training to only the relevant Federal requirements that apply to the safety-related tasks that the employer authorizes the employee to perform, in addition to any knowledge-based training that is required. Because FRA did not receive any comments regarding the proposed changes to

§ 243.201(a)(1) and (2), the final rule adopts the revisions as proposed.⁴⁷

Regarding paragraph (a)(3), the NPRM proposed to move the requirement for designating existing employees by occupational category or subcategory from current paragraph (a)(1) to a new paragraph (a)(3)(i). FRA is adopting the NPRM's language in new paragraph (a)(3)(i) as proposed.⁴⁸ In addition, and for reasons discussed in Section III of this preamble, in response to comments requesting clarification regarding the impact of removing implementation dates for designating existing employees as qualified to perform certain safety-related service, FRA is adding language to new paragraph (a)(3) to clarify that the requirements in this paragraph do not impact the designation of an employer's existing safety-related railroad employees who were appropriately designated as qualified by September 1, 2020, or January 1, 2022, as applicable. The requirements in this paragraph (a)(3), as adopted in this final rule, clarify the requirements of an employer's designation responsibilities without changing the substantive requirements.

As proposed in the NPRM, FRA is also adding paragraph (a)(3)(ii) to address an issue, similar to the one addressed in § 243.101(c), concerning employers that prefer to categorize their employees by CFR parts or other legal requirements, rather than by occupational category or subcategory. For those employers who do not designate employees by occupational category or subcategory, paragraph (a)(3)(ii) requires that the employer must retain a record for each employee identifying the list of Federal railroad safety laws, regulations, and orders that cover the work the person is designated as qualified to perform.

As proposed in the NPRM, the requirements for designating safety-related railroad employees who were not required to be designated as qualified by the applicable implementation dates in former paragraphs (a)(1) and (2) are now in paragraphs (b) (for existing employees of an employer commencing operations) and (c) (for newly hired employees). These paragraphs are being adopted as proposed in the NPRM and are applicable any time an employer commences operations or hires a new employee.

In this final rule, FRA is also revising paragraphs (c), (d), and (e), and adding a new paragraph (f). Specifically, FRA is revising paragraph (c)(2) to allow an

employee, who is not yet qualified, to perform tasks during OJT under the direct, onsite observation of a qualified person and in accordance with certain conditions for the qualified person, before the employee has completed all of the formal training, including classroom training and OJT. FRA is adopting paragraph (c)(2) as proposed, except for making a minor clarifying change to language of the first sentence by replacing the language "If the training curriculum includes OJT. . ." with the language "When the training program is required to include OJT. . ." to avoid creating an incorrect implication that OJT is not required. As specified in revised § 243.101(c)(5) and explained in the NPRM, OJT is required when tasks require neuromuscular coordination to learn, unless FRA approves alternative, formal training that addresses the need to practice safety-related tasks with the ability to objectively measure task completion proficiency.⁴⁹ This clarifying revision is consistent with the change discussed above for § 243.101(d)(1).

FRA is also amending paragraph (d), which addresses how an employer can avoid training an employee who was previously trained or qualified by an entity other than the current employer, to make it consistent with other sections of part 243 amended through this rulemaking.

In addition, in conjunction with the revised definition of "refresher training" and to clarify the minimum requirements for refresher training, FRA is making several revisions to the requirements in paragraph (e). FRA is revising the language in paragraphs (e)(1) and (e)(2), regarding implementation dates, to emphasize that refresher training is typically required within three calendar years from a prior training event while continuing to recognize that there is also an exception for employers who were conducting operations as of these beginning implementation dates.

Further, FRA is extending the refresher training implementation deadline for small entities, covered under paragraph (e)(2), by one year in response to the Associations' comment requesting further consideration and to reflect FRA's observation that these small entities could generally use an additional year to develop and implement refresher training.

FRA has revised proposed paragraph (e)(3) to clarify what an employer must include in refresher training. Those refresher training requirements are now contained in paragraphs (e)(3) through

⁴⁵ *Id.* at 59756–57.

⁴⁶ *Id.* at 59757.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.* at 59755.

(5). Paragraph (e)(3) of this final rule requires each employer to ensure that an employee's refresher training include formal training⁵⁰ if the employee did not previously receive formal training on the application of any specific Federal railroad safety law, regulation, or order the employee is required to comply with, as well as any relevant railroad rules and procedures promulgated to implement those specific Federal railroad safety laws, regulations, and orders.

In paragraph (e)(3) of the NPRM, FRA proposed that an employer must develop refresher training to address railroad-wide or industry-wide safety concerns that address an individual employee's weakness—a point of reference that may be unknown or difficult to figure out. In its place, paragraph (e)(4) of this final rule requires that each employer shall ensure that refresher training for employees charged with the inspection of track or railroad equipment address identifying defective conditions and how to initiate immediate remedial action to correct critical safety defects that are known to contribute to derailments, accidents, incidents, or injuries. This requirement mirrors the requirement in the RSIA of 2008.⁵¹

Paragraph (e)(5), which tracks proposed paragraph (e)(3)(iii)(C), requires that each employer's refresher training, at a minimum, includes safety-related tasks that address skill gaps that the employer identified in the workforce through efficiency testing, periodic oversight, annual reviews, accident/incident data, FRA inspection data, or other performance measuring metrics. FRA expects that each employer will look to these sources of data to identify skill gaps and the safety-related tasks to cover in refresher training.

As explained in the Background under the heading "*Refresher Training Burden*," FRA is adding a requirement in paragraph (e)(6) to permit an

employer to offer each employee a single test out option for any occupational category or subcategory that, if passed, will be considered an acceptable substitute for refresher training. Pursuant to paragraph (e)(6) of this final rule, an employee may be offered to test out of the requirements in paragraphs (e)(4) and (5), but not (3) (*i.e.*, when formal training is required as part of the refresher training).

Paragraph (e)(6) also defines certain limitations and requirements for the test out option. For instance, if an employee fails such a test on the first attempt, the employer must provide the refresher training to the employee instead of another opportunity to test out. The reason for a single test out attempt is that a failure is indicative that the employee would benefit from refresher training as compared to an employee that tests out and has therefore demonstrated that they already possess the knowledge or skills necessary to do the safety-related work in the occupational category or subcategory tested without refresher training.

Paragraph (e)(6)(i) requires an employer to design the test out option to determine whether an employee has the critical knowledge and skills to continue to be designated to perform safety-related service in that occupational category or subcategory, whether by craft, class, task, or other suitable terminology. Thus, each employer offering a test out option will need to determine the critical knowledge and skills for the occupational categories and subcategories created under § 243.101(c). Most likely, the critical knowledge and skills for an occupational category or subcategory is identifiable from initial training programs. Paragraph (e)(6)(ii) requires the test out option to meet the equivalent standards required for such assessment testing under formal training in that occupational category or subcategory. Thus, FRA expects the test offered for the test out option will often be identical or the equivalent to a test offered during or at the conclusion of initial training for the occupational category or subcategory, albeit that the method of delivery may be different. For instance, although initial training might have been completed in a classroom with a combination of knowledge tests and task-based observational tests, an assessment test offered for the test out option is not required to be offered in a classroom; instead, any other formal training delivery methods such as computer-based, correspondence, on-the-job, simulator, or laboratory training, may be offered. Given that

refresher training will be necessary for experienced employees who do not need initial training, it is expected that most employers will opt to provide an assessment test for the test out option in the normal, railroad work environment which would produce the least disruption to the regular work routine. Paragraph (e)(6)(iii) requires an employer, offering a test out option, to keep records of the relevant information from each test as a record under § 243.203.

Paragraph (f) of this final rule requires an employer to consider ways to provide remedial training and retesting of any employee who fails to successfully pass any training or testing. Paragraph (f) also makes clear that a failure of any test or training does not bar the person from successfully completing the training or testing later. The requirement in paragraph (f) does not apply to the single test out option in paragraph (e)(6) of this section; instead, the consequence of failing that single test out option requires the employee to complete the refresher training for that occupational category or subcategory.

Section 243.203 Records

As proposed in the NPRM, FRA is revising paragraph (b)(2) of this section to clarify that an employer that designates its employees by "other suitable terminology," *i.e.*, other than occupational category or subcategory, is required to keep a record of that designation for each qualification of each qualified employee. FRA is also revising paragraph (b)(6)'s recordkeeping information requirement to clarify that the person determining that the employee successfully completed all OJT training necessary to be considered qualified to perform certain safety-related tasks must be a designated instructor. For consistency with 49 CFR part 217, FRA is also revising the recordkeeping requirement for records other than individual employee records and annual review records.

Because FRA did not receive any comments regarding the proposed changes to § 243.203, the final rule adopts the revisions as proposed.⁵²

Section 243.205 Periodic Oversight

As proposed in the NPRM, FRA is adopting two general changes to § 243.205. The first general change amends paragraphs (a), (c), (e)(1), (g), and (i) to allow periodic oversight to be limited to tests "or" inspections, rather than require both tests "and"

⁵⁰ The regulation defines *formal training* as "training that has a structured and defined curriculum, and which provides an opportunity for training participants to have questions timely answered during the training or at a later date. In the context of this part, formal training may include, but is not limited to, classroom, computer-based, correspondence, on-the-job, simulator, or laboratory training." 49 CFR 243.5.

⁵¹ The Secretary of Transportation shall establish a minimum training curriculum "to ensure that safety-related railroad employees, and contractor and subcontractor employees, charged with the inspection of track or railroad equipment are qualified to assess railroad compliance with Federal standards to identify defective conditions and how to initiate immediate remedial action to correct critical safety defects that are known to contribute to derailments, accidents, incidents, or injuries." 49 U.S.C. 20162(a)(3).

⁵² *Id.* at 59758.

inspections. In the NPRM, FRA proposed this same change to paragraph (d) but is not adopting this proposed change here as it would suggest that a railroad would never be required to conduct periodic oversight when paragraph (d) is intended to permit a railroad, that must conduct periodic oversight of a contractor, to forgo operational tests only. Thus, a railroad that must conduct periodic oversight of a contractor would still be required to conduct periodic oversight inspections and could opt to conduct periodic oversight operational tests at its discretion.

The second general change FRA proposed was intended to reflect guidance providing employers with some discretion in the administration of oversight. For instance, as proposed, FRA is revising § 243.205(h) to provide railroads and contractors the flexibility to decide which entity will be responsible for conducting periodic oversight. This revision allows the regulated entities to decide which entity is in the best position to conduct the oversight and to make any necessary arrangements to comply with the periodic oversight requirements. The final rule is adopting the revisions as proposed with only an addition in the title of the paragraph and in the paragraphs to emphasize that any alternative to the regulatory requirements must be made by written agreement (*i.e.*, in writing, in the program required by this rule). These changes reflect FRA's previous guidance and will eliminate any potential confusion between a railroad and a contractor about which party is expected to conduct the periodic oversight.

Because FRA did not receive any comments regarding the proposed changes to § 243.205, aside from the changes discussed herein, the final rule adopts the revisions as proposed.⁵³

Each of the revisions adopted in this final rule and described above are consistent with the guidance FRA published on April 20, 2023, titled *Training Qualification, and Oversight for Safety-Related Railroad Employees; Periodic Job Oversight Job Aid*, available at <https://railroads.dot.gov/elibrary/training-qualification-and-oversight-safety-related-railroad-employees-periodic-oversight>.

V. Regulatory and Statutory Requirements

A. Executive Order 12866 (Regulatory Planning and Review) and DOT Regulatory Policies and Procedures

Executive Order (E.O.) 12866 ("Regulatory Planning and Review"),⁵⁴ as implemented by DOT Order 2100.6B ("Policies and Procedures for Rulemaking"),⁵⁵ requires agencies to regulate in the "most cost-effective manner," to make a "reasoned determination that the benefits of the intended regulation justify its costs," and to develop regulations that "impose the least burden on society." DOT Order 2100.6B specifies that regulations generally should "not be issued unless their benefits are expected to exceed their costs." In arriving at those conclusions, E.O. 12866 requires that agencies should consider "both quantifiable measures . . . and qualitative measures of costs and benefits that are difficult to quantify" and "maximize net benefits . . . unless a statute requires another regulatory approach." E.O. 12866 also requires that "agencies should assess all costs and benefits of available regulatory alternatives, including the alternative of not regulating." DOT Order 2100.6B directs FRA and other Operating Administrations generally must choose the "least costly regulatory alternative that achieves the relevant objectives" unless required by law or compelling safety need.

E.O. 12866 and DOT Order 2100.6B also require that FRA submit "significant regulatory actions" to the Office of Information and Regulatory Affairs (OIRA) within the Executive Office of the President's Office of Management and Budget (OMB) for review. This final rule is a not significant regulatory action pursuant to E.O. 12866; it also has not designated this rule as a "major rule" as defined by the Congressional Review Act (5 U.S.C. 801 *et seq.*).

FRA is issuing this final rule to address issues raised in the Associations' petitions for rulemaking, provide clarity to current requirements, and remove requirements that are no longer necessary. For example, FRA is removing certain requirements from § 243.111 because FRA found some of the information required to be submitted by training organizations and learning institutions unnecessary. FRA is also removing implementation dates

that have passed. Overall, the changes codify existing regulatory guidance that FRA has issued or clarify and streamline the existing regulatory requirements.

The final rule provides regulatory clarity and promotes regulatory compliance by the regulated industry through, among other things: (1) clarifying that FRA will accept a training program that categorizes employees by legal requirement references rather than occupational categories; (2) eliminating certain submissions such as similar training programs or plans; (3) requiring that each employer under § 243.103(a)(2)(v) exclude the course duration of OJT for an employer's estimate of the anticipated course duration for all formal training combined; (4) clarifying the use of model programs without requiring an entity to refer to guidance or asking FRA for assistance; (5) amending requirements for training program submissions and the introductory information required in § 243.107 due to FRA's part 243 web portal; (6) revising § 243.109 to clarify refresher training program submission requirements; (7) requiring each training organization and learning institution provide less information in its submission than required currently by § 243.111; (8) revising the refresher training requirements and options, clarifying what employers need to include to complete minimum acceptable refresher training; and (9) allowing each railroad and contractor the flexibility to decide which entity will be responsible for conducting periodic oversight.

This final rule will delay refresher training requirements for small entities by one year. FRA assumes approximately 3,500 safety-critical employees⁵⁶ will be granted this one-year relief period, and each employee would require four hours of annual refresher training. FRA uses a wage rate of \$43.78 to represent each employee after averaging the wage rates of four categories of employees: maintenance of way and structures; maintenance of equipment and stores; transportation (other than train and engine); and transportation (train and engine).⁵⁷ FRA

⁵⁶ In the 2014 Final Rule (79 FR 66460), FRA estimated 35,000 employees would require refresher training annually. FRA estimated approximately 10 percent of these employees would work for small entities.

⁵⁷ Surface Transportation Board (STB), Quarterly Wage Form A&B Data (2024). Compiled from Class I railroad data reported on Wage Form A&B for year 2024. Calculated as: Wage (\$/hour) = sum of compensation for time worked and paid for straight time rates (\$) for Class I railroads ÷ sum of service hours for time worked and paid for straight time

Continued

⁵³ *Id.*

⁵⁴ 58 FR 51735 (Oct. 4, 1993).

⁵⁵ DOT-2100.6B-Policies and Procedures for Rulemaking, available at <https://www.transportation.gov/regulations/dot-order-21006b-rulemaking-and-guidance-procedures>.

burdens this average wage rate by 75-percent to calculate a wage of \$76.62 for each employee. Based on these estimates, FRA calculates a cost savings of \$1.1 million⁵⁸ for the one-year delayed implementation refresher training deadline for small entities.

FRA expects the final rule will result in several, non-quantifiable benefits for the regulated industry and FRA, such as: permitting training programs that categorize employees by referencing the applicable part of the CFR, a statute, or an order, rather than occupational categories associated by craft; clarifying that an employer need not submit courseware unless FRA requests that additional documentation is needed to conduct an adequate review; and clarifying what employers need to include to complete minimum acceptable refresher training, as well as allow for tests or inspections, instead of requiring both. FRA expects these clarifications will provide employers an easier means of complying with this regulation, as well as save time understanding what needs to be submitted and preparing submissions to FRA. By codifying existing regulatory guidance, FRA expects that the railroads will have greater regulatory certainty for future submissions while complying with training program requirements. FRA estimates that there will be no costs associated with this final rule.

B. Executive Order 14192 (Unleashing Prosperity Through Deregulation)

E.O. 14192 (90 FR 9065, Jan. 31, 2025), Unleashing Prosperity Through Deregulation, requires that for “each new [E.O. 14192 regulatory action] issued, at least ten prior regulations be identified for elimination.”⁵⁹

Implementation guidance for E.O. 14192 issued by the Office of Management and Budget (OMB) (Memorandum M–25–20, Mar. 26, 2025) defines two different types of E.O. 14192 actions: an E.O. 14192 deregulatory action, and an E.O. 14192 regulatory action.⁶⁰

An E.O. 14192 deregulatory action is defined as “an action that has been finalized and has total costs less than zero.” This final rule is considered an E.O. 14192 deregulatory action. FRA estimates this rule generates a cost savings of \$1.1 million, based on the one-year refresher training extension granted to small entities.

C. Regulatory Flexibility Act and Executive Order 13272

The Regulatory Flexibility Act (RFA) of 1980⁶¹ and E.O. 13272⁶² require agency review of proposed and final rules to assess their impacts on small entities. When an agency issues a proposed rulemaking, the RFA requires the agency to “prepare and make available for public comment an initial regulatory flexibility analysis” that will “describe the impact of the proposed rule on small entities.”⁶³ Section 605 of the RFA allows an agency to certify a rule, in lieu of preparing an analysis, if the rulemaking is not expected to have a significant economic impact on a substantial number of small entities. FRA certified that the proposed rule would not have a significant economic impact on a substantial number of small entities in the NPRM. No comments were received in response to this certification.

This final rule directly affects all railroads, of which there are approximately 784. FRA estimates that approximately 94 percent of these

railroads are small entities. This final rule also affects approximately 300 contractors of railroads and approximately 109 training organizations or learning institutions, most of which, by definition, are considered small entities.

The requirements of this final rule will apply to employers of safety-related railroad employees, whether the employers are railroads, contractors, or subcontractors. Although a substantial number of small entities will be subject to this rule, the final rule will codify agency guidance, reduce submissions to FRA, and clarify existing requirements.

C. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995,⁶⁴ FRA is seeking approval from OMB to revise the information collection estimates in previously approved OMB control number 2130–0597, corresponding to part 243. On June 18, 2024, OMB approved FRA’s last information collection request (ICR) corresponding to part 243, containing 16,549 burden hours.⁶⁵ With this final rule, the burden will increase by 6 hours, for a new total of 16,555 burden hours. The number of burden hours estimated in this final rule is significantly less than the 31,574 hours total burden hours estimated in the NPRM,⁶⁶ because FRA identified burden hour reductions when renewing the ICR for part 243 in June 2024.

The table below shows the sections in part 243 that contain the new and currently approved information collection requirements that will apply when this final rule becomes effective, and the estimated time to fulfill each requirement as follows:

CFR section ⁶⁷	Respondent universe	Total annual responses	Average time per responses	Total annual burden hours ⁶⁸	Total cost equivalent ⁶⁹
243.3(c)—Application and responsibility for compliance—A parent or holding company that submits a training program on behalf of one or more subsidiaries must initially and continually maintain in its written submission a list of the legal name of each subsidiary (New requirement).	The estimated paperwork burden for this requirement is covered under § 243.101(b).				

rates (hours) for Class I railroads. Available: <https://www.stb.gov/reports-data/economic-data/quarterly-wage-ab-data/>.

⁵⁸ 3,500 employees × 4 hours × \$76.62 = \$1,072,680.

⁵⁹ Executive Office of the President. Executive Order 14192 of January 31, 2025. *Unleashing Prosperity Through Deregulation*. 90 FR 9065–9067. Feb. 6, 2025.

⁶⁰ Executive Office of the President. Office of Management and Budget. *Guidance Implementing Section 3 of Executive Order 14192, Titled “Unleashing Prosperity Through Deregulation.”* Memorandum M–25–20. March 26, 2025.

⁶¹ 5 U.S.C. 601 *et seq.*

⁶² 67 FR 53461 (Aug. 16, 2002).

⁶³ 5 U.S.C. 603(a).

⁶⁴ 44 U.S.C. 3501 *et seq.*

⁶⁵ For comparison with the revised burden estimates in this final rule, the supporting justification for the June 2024 ICR is available for review at: <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=2130-0597>.

⁶⁶ 87 FR 59749, 59759.

CFR section ⁶⁷	Respondent universe	Total annual responses	Average time per responses	Total annual burden hours ⁶⁸	Total cost equivalent ⁶⁹
243.101(b) Each employer that has not yet commenced operations subject to this part shall submit a training program for its safety-related railroad employees before commencing operations.	10 new railroads/435 contractors	10 training programs	20 hours	200	\$24,000
—(c) and (d) Employer's classification of its safety-related railroad employees and OJT training requirements.	The burden for this requirement is included under § 243.101(b).				
—(e) Contractor's duty to validate approved program to a railroad.	400 railroads/435 contractors	150 documents	15 minutes	37.5	2,888
—(f) Railroad's duty to retain copies of contractor's validation document.	1,046 railroads	1,046 copies	2 minutes	34.9	2,687
243.103(a) and (c)—Training components identified in program.	The burden requirements for paragraphs (a) and (c) are included under § 243.101(b). Regarding the burden for paragraph (b), FRA estimates that it will receive zero (0) supplementary documents.				
—(d) Training components identified in program; modifications to components of the training programs.	1,155 railroads/435 contractors	10 modified training programs ...	5 hours	50	3,850
243.105(a) and (b)—Optional model program development.	The burden requirement for paragraph (a) has been fulfilled. The burden for paragraph (b) is included under § 243.101(b).				
—(c) Optional model program development; model program revisions: notice of FRA-approved changes to authorized users (<i>New requirement</i>).	30 model programs	10 notifications	10 minutes	2	154
243.107(a)—Training program submission, introductory information required.	The burden for this information requirement is covered under § 243.101(b).				
243.109(b)—Previously approved programs requiring an informational filing when modified.	1,155 railroads/435 contractors/40 TO/LI	75 informational filings	8 hours	600	46,200
—(c) New portions or substantial revisions to an approved training program.	10 railroads/435 contractors	10 revised training programs	16 hours	160	12,320
—(c) New portions or substantial revisions to an approved training program found non-conforming to this part by FRA—revisions required.	50 railroads/435 contractors	50 revised training programs	8 hours	400	30,800
—(d)(1)(i) Copy of additional submissions, resubmissions, and informational filings to labor organization presidents.	50 railroads/435 contractors	50 copies	10 minutes	8.3	639
—(d)(1)(ii) Railroad statement affirming that a copy of submissions, resubmissions, or informational filings has been served to labor organization presidents.	228 railroads/435 contractors	76 affirming statements	10 minutes	12.7	978
—(d)(2) Labor organization comments on railroad training program submissions, resubmissions, or informational filings.	20 labor organizations	3 comments	30 minutes	1.5	116
243.111(a) through (f)—Approval of programs filed by training organizations or learning institutions (TO/LI).	The burden requirements for paragraphs (a) and (c) are included under § 243.101(b). The burden requirement for paragraphs (b) and (d) are covered under § 243.103(d). The burden requirement for paragraphs (e) and (f) are covered under § 243.109(b).				
—(g) Safety-related railroad employees instructed by TO/LI —Recordkeeping.	40 TO/LI	5,450 records	5 minutes	454.2	34,973
—(h) TO/LI to provide student's training transcript or training record to any employer upon request by the student.	40 TO/LI	545 records	5 minutes	45.4	3,496
243.113—Electronic and written program submission requirements.	The burden for paragraph this requirement is included under § 243.101(b).				
243.201(b) An employer commencing operations shall declare the designation of each of its safety-related railroad employees.	10 new railroads/435 contractors	10 designation lists	15 minutes	2.5	193
—(c) Training records of newly hired employees or those assigned new safety-related duties.	4,800 employees	4,800 records	15 minutes	1,200	92,400
—(d)(1)(i) Requests for relevant qualification or training record from an entity other than current employer.	4,800 employees	250 record requests	5 minutes	20.8	1,602

CFR section ⁶⁷	Respondent universe	Total annual responses	Average time per responses	Total annual burden hours ⁶⁸	Total cost equivalent ⁶⁹
—(e) Refresher training requirements and options ⁷⁰ .	The paperwork burden for this requirement includes recordkeeping and scheduling of the training and is covered under § 243.203.				
243.203(a) through (e) Recordkeeping—Systems set up to meet FRA requirements.	10 railroads/435 contractors 40 TO/LI ...	10 recordkeeping systems	30 minutes	5	385
—(f) Transfer of records to successor employer.	1,155 railroads/435 contractors 40 TO/LI	3 records	30 minutes	1.5	116
243.205(a), (b), (e) and (g) —Periodic oversight.	The burden for adopting and complying with a program of periodic oversight under paragraph (a) is included above under the training program requirements in § 243.109. Furthermore, FRA estimates that zero (0) training programs will be changed as the result of the assessments under parts 240 and 242.				
—(c) Railroad identification of supervisory employees who conduct periodic oversight tests by category/sub-category.	435 contractors	100 identifications	5 minutes	8.3	639
—(f) Notification by railroad of contractor employee non-compliance with Federal laws/regulations/orders to employee and employee's employer.	435 contractors	90 employee notices	10 minutes	15	1,155
—(i) and (j) Employer records of periodic oversight.	435 contractors	270 employer notices	10 minutes	45	3,465
243.207(a)—Written annual review of safety data (Railroads with 400,000 annual employee work hours or more).	1,046 railroads/435 contractors	150,000 records	5 minutes	12,500	962,500
—(b) Railroad copy of written annual review at system headquarters.	22 railroads	22 reviews	16 hours	352	27,104
—(e) Railroad notification to contractor of relevant training program adjustments.	22 railroads	22 review copies	5 minutes	1.8	139
243.209(a) and (b)—Railroad maintained list of contractors utilized.	22 railroads	2 notifications	15 minutes	0.50	39
—(c) Railroad duty to update list of contractors utilized and retain record for at least 3 years showing if a contractor was utilized in last 3 years.	754 railroads	754 lists	30 minutes	377	29,029
	754 railroads	75 updated lists	15 minutes	18.8	1,444
Total	1,155 railroads 435 contractors 40 TO/LI	163,893 responses	N/A	16,555	1,283,311

All estimates include the time for reviewing instructions; searching existing data sources; gathering or maintaining the needed data; and reviewing the information. For information or a copy of the paperwork

⁶⁷ FRA will be requesting to revise the previously approved OMB control number (OMB No. 2130–0597) corresponding to part 243.

⁶⁸ The modifications to the paperwork burden, particularly the adjustments made in the number of responses, resulted from the latest available data since the publication of the NPRM. As a result, FRA has updated the number of responses under §§ 243.101(e), 243.101(f), 243.103(d), 243.109(b), 243.109(c), 243.109(d)(1)(i), 243.201(a)(2), 243.201(d)(1)(i) and 243.203(a) to reflect current data. In addition, after further review it was determined that there is no additional burden to report under § 243.101(a)(2) as this requirement has been completed. The adjustments made in the number of responses resulted in a decrease in the burden, from 31,574 burden hours reported in the NPRM to 16,555 burden hours in this final rule. Supporting justification will be published under: <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=2130-0597>.

⁶⁹ The dollar equivalent cost is derived from the Surface Transportation Board's 2022 Full Year Wage A&B data series using the appropriate employee group hourly wage rate that includes a 75-percent overhead charge.

⁷⁰ This row was previously omitted from the NPRM and is now added to the table to reflect that the paperwork burden on refresher training (§ 243.201(e)) is already accounted for under § 243.203.

package submitted to OMB, contact Ms. Joanne Swafford, Information Collection Clearance Officer, at email: joanne.swafford@dot.gov or telephone: 757–897–9908.

OMB is required to decide concerning the collection of information requirements contained in this final rule between 30 and 60 days after publication of this document in the **Federal Register**. Therefore, a comment to OMB is best assured of having its full effect if OMB receives it within 30 days of publication of this document. FRA is not authorized to impose a penalty on persons for violating information collection requirements that do not display a current OMB control number, if required. The current OMB control number for this rule is 2130–0597.

D. Federalism Implications and Executive Order 13132

E.O. 13132, “Federalism,”⁷¹ requires FRA to develop an accountable process to ensure “meaningful and timely input by State and local officials in the development of regulatory policies that have federalism implications.” “Policies that have federalism implications” are

defined in the E.O. to include regulations that have “substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.” Under E.O. 13132, the agency may not issue a regulation with federalism implications that imposes substantial direct compliance costs and that is not required by statute, unless the Federal government provides the funds necessary to pay the direct compliance costs incurred by State and local governments or the agency consults with State and local government officials early in the process of developing the regulation. Where a regulation has federalism implications and preempts State law, the agency seeks to consult with State and local officials in the process of developing the regulation.

FRA has analyzed this final rule under the principles and criteria contained in E.O. 13132. FRA has determined that this final rule has no federalism implications, other than the possible preemption of State laws under 49 U.S.C. 20106. Therefore, the consultation and funding requirements

⁷¹ 64 FR 43255 (Aug. 10, 1999).

of E.O. 13132 do not apply, and preparation of a federalism summary impact statement for this final rule is not required.

E. International Trade Impact Assessment

The Trade Agreements Act of 1979⁷² prohibits Federal agencies from engaging in any standards or related activities that create unnecessary obstacles to the foreign commerce of the United States. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles.⁷³ The statute also requires consideration of international standards and, where appropriate, that they be the basis for U.S. standards. This final rule is purely domestic in nature and is not expected to affect trade opportunities for U.S. firms doing business overseas or for foreign firms doing business in the United States.

F. Environmental Impact

FRA has evaluated this final rule consistent with the National Environmental Policy Act of 1969 (NEPA).⁷⁴ In accordance with 42 U.S.C. 4336 and DOT NEPA Order 5610.1D, FRA has determined that this rule is categorically excluded pursuant to 23 CFR 771.118(c)(4), “[p]lanning and administrative activities not involving or leading directly to construction, such as: [p]romulgation of rules, regulations, and directives.” This rulemaking is not anticipated to result in any environmental impacts, and there are no unusual or extraordinary circumstances present in connection with this rulemaking.

Pursuant to section 106 of the National Historic Preservation Act and its implementing regulations, FRA has determined this rulemaking has no potential to affect historic properties.⁷⁵ FRA has also determined that this rulemaking would not approve a project resulting in a use of a resource protected by section 4(f).⁷⁶

G. Unfunded Mandates Reform Act of 1995

This final rule will not result in the expenditure, in the aggregate, of \$100,000,000 or more, adjusted for inflation, in any one year by State, local, or Indian Tribal governments, or the private sector. Thus, consistent with section 202 of the Unfunded Mandates

Reform Act of 1995 (Pub. L. 104–4, 2 U.S.C. 1532), FRA is not required to prepare a written statement detailing the effect of such an expenditure.

H. Energy Impact

E.O. 13211, “Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use,” requires Federal agencies to prepare a Statement of Energy Effects for any “significant energy action.”⁷⁷ FRA evaluated this final rule under E.O. 13211 and determined that this regulatory action is not a “significant energy action” within the meaning of E.O. 13211.

I. Executive Order 13175 (Tribal Consultation)

FRA has evaluated this rule in accordance with the principles and criteria contained in E.O. 13175, Consultation and Coordination with Indian Tribal Governments (65 FR 67249, Nov. 6, 2000). The rule would not have a substantial direct effect on one or more Indian Tribes, would not impose substantial direct compliance costs on Indian Tribal governments, and would not preempt Tribal laws. Therefore, the funding and consultation requirements of E.O. 13175 do not apply, and a Tribal summary impact statement is not required.

List of Subjects in 49 CFR Part 243

Administrative practice and procedure, Penalties, Railroad employees, Railroad safety, Reporting and recordkeeping requirements.

The Rule

For the reasons discussed in the preamble, FRA is amending part 243 of chapter II, subtitle B of title 49 of the Code of Federal Regulations as follows:

PART 243—TRAINING, QUALIFICATION, AND OVERSIGHT FOR SAFETY-RELATED RAILROAD EMPLOYEES

■ 1. The authority citation for part 243 continues to read as follows:

Authority: 49 U.S.C. 20103, 20107, 20131–20155, 20162, 20301–20306, 20701–20702, 21301–21304, 21311; 28 U.S.C. 2461 note; and 49 CFR 1.89.

Subpart A—General

■ 2. Section 243.1 is amended by adding paragraphs (f) and (g) to read as follows:

§ 243.1 Purpose and scope.

* * * * *

(f) The requirements in this part do not require an employer to adopt and

comply with a training program when the training required for a qualified person is obtained through earning a college degree or certification from an accredited training organization or learning institution. For example, the requirements in this part do not require the training program of an engineering firm that conducts bridge inspections to include training of railroad bridge engineers on the subjects taught as part of a professional engineering curriculum covered by 49 CFR 237.51(b).

(g) The requirements in this part do not require an employer to train contractors who are hired to perform elective audits or assessments that are not required by Federal railroad safety laws, regulations, or orders.

■ 3. Section 243.3 is amended by adding paragraph (c) to read as follows:

§ 243.3 Application and responsibility for compliance.

* * * * *

(c)(1) A parent or holding company may comply with the requirements of this part on behalf of one or more subsidiaries if the arrangement is specified and submitted with the relevant training program(s) under subpart B of this part.

(i) The arrangement may be used to fulfill all or a portion of a subsidiary's responsibility for compliance with this part.

(ii) A parent or holding company that submits a training program on behalf of one or more subsidiaries must initially and continually maintain in its submission a list of the legal name of each subsidiary. The submission must reflect which courses each subsidiary is adopting if a subsidiary is not adopting the parent or holding company's training program in its entirety. The submission must reflect whether each subsidiary is adopting all of a parent or holding company's training programs or identifying which courses each subsidiary is adopting.

(2) A subsidiary must not duplicate a training program submission a parent or holding company has made on its behalf.

(3) A subsidiary must file a training program submission, in accordance with the requirements of subpart B of this part, if a parent or holding company does not submit one or more training programs on behalf of the subsidiary that is intended to fulfill all of the subsidiary's responsibilities under this part.

(4) A subsidiary must comply with a parent or holding company's training program submission that is filed on behalf of the parent or holding company's subsidiaries unless the

⁷² 19 U.S.C. ch. 13.

⁷³ 19 U.S.C. 2531(b).

⁷⁴ 42 U.S.C. 4321 *et seq.*

⁷⁵ 16 U.S.C. 470.

⁷⁶ Department of Transportation Act of 1966, as amended (Pub. L. 89–670, 80 Stat. 931); 49 U.S.C. 303.

⁷⁷ 66 FR 28355 (May 22, 2001).

subsidiary files its own submission, in accordance with the requirements of subpart B of this part.

■ 4. Section 243.5 is amended by revising the definitions for “Designated instructor” and “Refresher training” and adding a definition for “Training organizations or learning institutions” in alphabetical order to read as follows:

§ 243.5 Definitions.

* * * * *

Designated instructor means a person designated as such by an employer, training organization, or learning institution, who has demonstrated an adequate knowledge of the subject matter under instruction and, where applicable, has the necessary experience to effectively provide formal training on the subject matter. The designated instructor is not required to be an employee of the employer. Employers are required to ensure that employees and non-employees used as designated instructors have the necessary knowledge, skills, and abilities to provide sound coaching, mentoring, and guidance to new learners.

* * * * *

Refresher training means periodic retraining required for each safety-related railroad employee that is designed to maintain, improve, and update the skills and knowledge of existing employees to ensure they are sufficiently acquainted with any changed standards, or any relevant problematic issues or new skills, methods, and processes, and to ensure no important skills or knowledge have been lost due to lack of use. Similar training programs or plans required elsewhere in this chapter but identified by a term other than refresher training such as “recurrent training,” “re-training,” “periodic training,” “training that occurs periodically,” or “training that is required within defined intervals,” are considered refresher training for purposes of this part although they need not be submitted for review pursuant to § 243.103(b).

* * * * *

Training organizations or learning institutions mean entities that provide training services for people who are safety-related railroad employees or independent students who will rely on the training services provided to qualify to become safety-related railroad employees, but not employees of the entities providing the training. Training organizations and learning institutions include businesses that provide formal training, and colleges and universities that provide rail safety courses, necessary for a person to qualify as a

safety-related railroad employee. Training organizations and learning institutions also include entities that do not maintain fixed facilities (*i.e.*, do not have a physical location), as they may rent or lease meeting space to deliver formal training, deliver formal training at an employer’s facility, or deliver computer-based training virtually. A railroad that trains its own employees and also trains safety-related railroad employees of other employers is not a training organization or learning institution.

Subpart B—Program Components and Approval Process

■ 5. Section 243.101 is amended by revising paragraphs (a), (b), (c)(1) through (3), (c)(5), (d)(1), (e), and (f) to read as follows:

■ 5. Revise and republish § 243.101 to read as follows:

§ 243.101 Employer program required.

(a) Each employer conducting operations subject to this part shall submit, adopt, and comply with a training program for its safety-related railroad employees.

(b) Each employer that has not yet commenced operations subject to this part shall submit a training program for its safety-related railroad employees before commencing operations. Upon commencing operations, the employer shall adopt and comply with the training program.

(c) In the program required by this part, the employer shall:

(1) Classify its safety-related railroad employees in occupational categories or subcategories by craft, class, task, or other suitable terminology. Other suitable terminology for classifying safety-related railroad employees may include references to the applicable part of the Code of Federal Regulations, section of the United States Code, or citation to an order as described in paragraph (c)(2) of this section;

(2) Define the occupational categories or subcategories of safety-related railroad employees. The definition of each category or subcategory shall include a list of the Federal railroad safety laws, regulations, and orders that the employee is required to comply with, based on the employee’s assignments and duties, broken down at a minimum to the applicable part of the Code of Federal Regulations, section of the United States Code, or citation to an order. The listing of the Federal requirements shall contain the descriptive title of each law, regulation, or order. An employer that classifies its safety-related railroad employees by

direct reference to the applicable part of the Code of Federal Regulations, section of the United States Code, or citation to an order as permitted in paragraph (c)(1) of this section, is not required to define the occupational categories or subcategories of its safety-related railroad employees;

(3) Create tables or utilize other suitable formats which summarize the information required in paragraphs (c)(1) and (2) of this section, separated by major railroad departments (*e.g.*, operations, maintenance-of-way, maintenance-of-equipment, signal and communications). After listing the major departments, the tables or other formats should list the categories and subcategories of safety-related railroad employees within those departments. An employer that does not have major railroad departments and classifies its safety-related railroad employees by direct reference to the applicable part of the Code of Federal Regulations, section of the United States Code, or citation to an order, as permitted in paragraph (c)(1) of this section, is not required to summarize the information required in paragraphs (c)(1) and (2) of this section;

(4) Develop procedures to design and develop key learning points for any task-based or knowledge-based training; and

(5) Determine how training shall be structured, developed, and delivered, including an appropriate combination of classroom, simulator, computer-based, correspondence, OJT, or other formal training. The curriculum shall be designed to impart knowledge of, and ability to comply with, applicable Federal railroad safety laws, regulations, and orders, as well as any relevant railroad rules and procedures promulgated to implement those applicable Federal railroad safety laws, regulations, and orders. OJT is required when tasks require neuromuscular coordination to learn, unless FRA approves alternative, formal training that addresses the need to practice safety-related tasks, with the ability to objectively measure task completion proficiency.

(d) On-the-job (OJT) training requirements:

(1) When a training program is required to have OJT, the OJT portion of the training program shall consist of the following three key components:

(i) A brief statement describing the tasks and related steps the employee learning the job shall be able to perform;

(ii) A statement of the conditions (prerequisites, tools, equipment, documentation, briefings, demonstrations, and practice) necessary for learning transfer; and

(iii) A statement of the standards by which proficiency is measured through a combination of task/step accuracy, completeness, and repetition.

(2) Prior to beginning the initial safety-related tasks associated with OJT exercises, employers shall make any relevant information or materials, such as operating rules, safety rules, or other rules available to employees involved for referencing.

(3) The tasks and related steps associated with OJT exercises for a particular category or subcategory of employee shall be maintained together in one manual, checklist, or similar document. This reference shall be made available to all employees involved in those OJT exercises.

(e) Contractor's responsibility to validate approved program to a railroad: A contractor is being utilized by a railroad when any of the contractor's employees conduct safety-related duties on behalf of the railroad and the railroad does not otherwise qualify those employees of the contractor that are allowed to perform those duties. A contractor that chooses to train its own safety-related railroad employees shall provide each railroad that utilizes it with a document proving or stating that:

(1) The contractor's training program was approved by FRA; or

(2) The contractor is not required to submit the similar training program or plan as required in § 243.103(b) but is maintaining the similar training program or plan, pursuant to other regulatory requirements contained elsewhere in this chapter.

(f) Railroad's responsibility to retain contractor's validation of program: A railroad that chooses to utilize contractor employees to perform safety-related duties and relies on contractor-provided training as the basis for those employees' qualification to perform those duties shall retain a document from the contractor declaring or proving that the contractor's program was approved by FRA, or that the contractor is not required to submit the similar training program or plan as required in § 243.103(b) but is maintaining the similar training program or plan, pursuant to other regulatory requirements contained elsewhere in this chapter. A copy of the document required in paragraph (e) of this section satisfies this requirement.

■ 6. Section 243.103 is amended by revising paragraphs (a)(1) and (2)(v), (b), and (d) to read as follows:

§ 243.103 Training components identified in program.

(a) * * *

(1) A unique name and identifier for each formal initial and refresher training course of study;

(2) * * *

(v) The anticipated course duration for all formal training combined, excluding the course duration of OJT;

* * * * *

(b) An employer that is required to adopt and comply with similar training programs or plans, pursuant to other regulatory requirements contained elsewhere in this chapter, is not required to submit those similar training programs or plans in accordance with this part. When any such similar program or plan, pursuant to other regulatory requirements contained elsewhere in this chapter, includes OJT but does not include the OJT components specified in paragraph (a)(3) of this section and in § 243.101(d), the employer shall supplement its program to include the OJT components in accordance with this part. In addition, when any such similar program or plan, pursuant to other regulatory requirements contained elsewhere in this chapter, is amended for any reason, the employer shall amend its program without submission to FRA under § 243.109.

* * * * *

(d) FRA may require modifications to any programs, including those programs referenced in paragraph (b) of this section, if it determines essential program components, such as OJT, or arranged practice and feedback, are missing or inadequate. Unless requested by FRA, an employer is not required to submit courseware (*i.e.*, lesson plans, instructor guides, participant guides, job aids, practical exercises, tests/assessments, and other materials used in the delivery of any course) as part of a training program submission.

■ 7. Section 243.105 is amended by removing paragraph (a)(3), revising paragraph (b), and adding paragraph (c) to read as follows:

§ 243.105 Optional model program development.

* * * * *

(b)(1) An employer that chooses to use a model program approved by FRA is not required to submit the entire program to FRA. Instead, the employer must submit only the unique identifier associated with the program, and all other information that is specific to that employer or deviates from the model program.

(2) An employer that chooses to adopt a model program at FRA's part 243 web portal (<https://safetydata.fra.dot.gov/Part243/>) will be prompted for the

required information and find each model program developer's contact information if the developer has an FRA-approved training program.

(3) An employer that chooses to adopt and implement a model program must contact the model program developer and obtain the associated course/training materials necessary for training safety-related railroad employees. FRA does not prohibit a model program developer from charging an employer a fee for the right to use a model training program it developed or requiring that each employer obtain its explicit authorization before the employer adopts one of its model programs.

(4) An employer that submits, adopts, and implements an FRA-approved model program, consistent with the operations of that employer, will be considered in compliance with the employer program requirements of § 243.101.

(c)(1) Once a model program is approved by FRA, the developer must consider when it is necessary to make revisions in accordance with § 243.109. A developer that revises its model program is required to provide notice of the FRA-approved changes to its authorized users. A model program developer is required to provide notice of any model program revisions by engaging in any form of communication that positively affirms the developer provided notice to employers likely to be impacted by the changes to the program, including posting the information at the organization's website, writing letters to the employers, and including information in periodic newsletters. Such notice must be at least as effective as the notice the developer provided to employers when it developed the model program. For example, if the developer makes its model program available to anyone with access to the developer's website, then posting a notice of any revisions to the program on its website will be sufficient. In contrast, if a model program developer requires explicit authorization to use its model programs, the developer must provide adequate notice to those entities that it has specifically authorized in a manner consistent with its authorization practices.

(2) Once notified, an employer that is adopting and complying with a model program must:

(i) Adopt and comply with the revisions to the model program made by the developer; or

(ii) Submit information explaining how the employer's training program will deviate from the model program in accordance with § 243.109.

■ 8. Revise § 243.107 to read as follows:

§ 243.107 Training program submission, introductory information required.

(a) An employer who provides training of safety-related railroad employees shall submit its training program to FRA for review and approval. For an employer using FRA's part 243 web portal, the web portal will prompt the employer to provide the required information in this section. Each employer shall state in its submission whether, at the time of filing, it:

(1) Primarily conducts the training program of its own safety-related railroad employees, utilizing its own resources;

(2) Conducts any training for other than its own safety-related railroad employees;

(3) Implements any training programs conducted by some other entity on its behalf but adopted by that employer;

(4) Uses any combination of the practices described in paragraphs (a)(1) through (3) of this section.

(b) [Reserved]

■ 9. Section 243.109 is amended by revising the section heading, paragraph (a) paragraph heading, and paragraph (a)(2) to read as follows:

§ 243.109 Initial and refresher training program submission, review, and approval process.

(a) *Initial and refresher programs.*

(2) An employer's initial program, as required by § 243.101(a) or (b), or an employer's refresher program, as required by § 243.201(e), must be submitted to the Associate Administrator and is considered approved and may be implemented immediately upon submission. Following submission, the Associate Administrator will review the program and inform the employer as to whether the program conforms to this part. If the Associate Administrator determines that all or part of the program does not conform, the Associate Administrator will inform the employer of the specific deficiencies. The deficient portions of the non-conforming program may remain in effect until approval of the revised program, unless FRA provides notification otherwise. An employer shall resubmit the portion of its program, as revised to address specific deficiencies, within 90 days after the date of any notice of deficiencies from the Associate Administrator. A failure to resubmit the program with the necessary revisions shall be considered a failure to implement a program under

this part. The Associate Administrator may extend this 90-day period upon written request.

* * * * *

■ 10. Section 243.111 is amended by revising paragraphs (a) and (c)(3) and (4), removing paragraphs (c)(5) through (7), and revising paragraph (e) introductory text to read as follows:

§ 243.111 Approval of programs filed by training organizations or learning institutions.

(a) A training organization or learning institution that provides training services for safety-related railroad employees, including providing such training services to independent students who enroll with such training organization or learning institution and who will rely on the training services provided to qualify to become safety-related railroad employees, must submit its program to FRA for review and approval unless:

(1) The program is approved as a model program under § 243.105 or an employer program under § 243.101; and

(2) The training organization or learning institution submits an informational filing to its previously approved program containing the information required in paragraph (c) of this section.

* * * * *

(c) * * *

(3) The training organization or learning institution's primary telephone number and point of contact; and

(4) A listing of the training organization or learning institution's designated instructors.

* * * * *

(e) Previously approved programs require an informational filing when modified. The training organization or learning institution shall review its previously approved training program and modify it accordingly when new safety-related Federal railroad laws, regulations, or orders are issued, or new safety-related technologies, procedures, or equipment are introduced into the workplace and result in new knowledge requirements, safety-related tasks, or in modifications of existing safety-related duties. A training organization or learning institution that modifies its training program for these described reasons shall submit an informational filing to the Associate Administrator not later than 30 days after the end of the calendar year in which the modification occurred, unless FRA advises otherwise. Programs modified in accordance with this paragraph are considered approved upon modification and may be implemented immediately. Any

program deficiencies noted by the Associate Administrator shall be addressed as specified in this section. A training organization or learning institution may transfer an approved program to another training organization or learning institution, or an employer, and that transfer will require the acquiring entity to file an informational filing unless the acquiring entity is making substantial additions or revisions to the previously approved program, which will require FRA review under paragraph (f) of this section. The filing shall contain a summary description of sufficient detail so that FRA can associate the changes with the training organization's or learning institution's previously approved program, and shall include:

* * * * *

■ 11. Section 243.113 is revised to read as follows:

§ 243.113 Electronic and written program submission requirements.

(a) Each employer, training organization, or learning institution to which this part applies is required to file by electronic means at FRA's part 243 web portal any program submissions required under this part in accordance with the requirements of this section. FRA's part 243 web portal will prompt users to submit all required training program information. Each organization, business, or association that develops an optional model program in accordance with § 243.105 is required to file by electronic means at FRA's part 243 web portal the program in accordance with the requirements of this section.

(b) Before any person's first program submission electronically at FRA's part 243 web portal, the person must register for access at the portal, <https://safetydata.fra.dot.gov/Part243/>. Users must provide the following information to complete registration:

(1) The name of the employer, organization, learning institution, business, or association;

(2) The names of two individuals, including job titles, who will be the person's points of contact and will be the only individuals allowed access to FRA's secure document submission site;

(3) The mailing addresses for the person's points of contact;

(4) The person's system or main headquarters address located in the United States;

(5) The email addresses for the person's points of contact; and

(6) The daytime telephone numbers for the person's points of contact.

(c) A person that electronically submits an initial program,

informational filing, or new portions or revisions to an approved program required by this part at FRA's part 243 web portal shall be considered to have provided its consent for FRA to electronically store any materials required by this part and to receive approval or disapproval notices from FRA by email.

Subpart C—Program Implementation and Oversight Requirements

■ 12. Revise and republish § 243.201 to read as follows:

§ 243.201 Employee qualification requirements.

(a)(1) Each employer must permit only employees appropriately trained and qualified to perform safety-related service.

(2) In addition to any required knowledge-based training, an employer may limit a safety-related railroad employee's training to only the relevant Federal requirements that apply to the safety-related tasks that the employer authorizes the employee to perform.

(3) The requirements in paragraph (a) do not impact the initial designation of the existing safety-related railroad employees who were designated by September 1, 2020 (for each Class I railroad, and each intercity or commuter passenger railroad conducting operations subject to this part with 400,000 total employee work hours annually or more in operation as of January 1, 2020) or January 1, 2022 (for each employer conducting operations subject to this part not covered by the September 1, 2020 implementation date). Each employer conducting operations subject to this part shall either:

(i) Declare the designation of each of its existing safety-related railroad employees by occupational category or subcategory, and only permit designated employees to perform safety-related service in that occupational category or subcategory; or

(ii) For an employer that does not designate employees by occupational category or subcategory, retain a record for each employee identifying the list of Federal railroad safety laws, regulations, and orders that cover the work the employee is designated as qualified to perform.

(b) An employer commencing operations shall declare the designation of each of its existing safety-related railroad employees by occupational category or subcategory before beginning operations, and only permit designated employees to perform safety-related service in that category or

subcategory. Any person designated shall have met the requirements for newly hired employees or those assigned new safety-related duties in accordance with paragraph (c) of this section.

(c) Newly hired employees or those assigned new safety-related duty. The following requirements apply to qualifying a safety-related railroad employee who, subsequent to the employer's designation in accordance with paragraphs (a) and (b) of this section, is newly hired or is to engage in a safety-related task not associated with the employee's previous training.

(1) Prior to an employee becoming a qualified member of an occupational category or subcategory, the employer shall require a safety-related railroad employee who is newly hired or is to engage in safety-related duties not associated with the employee's previous training to successfully complete the formal training curriculum for that category or subcategory of safety-related railroad employee. Successful completion of the formal training curriculum includes passing any required examinations covering the skills and knowledge the employee will need to possess in order to perform the safety-related duties necessary to be a member of the occupational category or subcategory.

(2) When the training program is required to include OJT, the employee shall demonstrate, to the satisfaction of a designated instructor, OJT proficiency by successfully completing the safety-related tasks necessary to become a qualified member of the occupational category or subcategory. However, as part of the OJT process and before completing any of the formal training, including classroom training and OJT, and passing the field evaluation, a person may perform such tasks under the direct onsite observation of any qualified person, provided the qualified person has been advised of the circumstances and is capable of intervening if an unsafe act or non-compliance with Federal railroad safety laws, regulations, or orders is observed. An employee designated to provide formal training to other employees, and who is not a designated instructor, shall be qualified on the safety-related topics or tasks in accordance with the employer's training program and the requirements of this part.

(d) Employees previously trained or qualified, but not by the current employer: If an employee has received relevant training or qualification for a particular occupational category or subcategory through participation in an FRA-required training program

completed by an entity other than the employee's current employer, that training shall satisfy the requirements of this part:

(1) Provided that:

(i) A current record of training is obtained from that other entity; or

(ii) When a current record of training is unavailable from that other entity, an employer performs testing to ensure the employee has the knowledge necessary to be a member of that category or subcategory of safety-related railroad employee. Testing shall include an oral or written examination and demonstrating the ability to inspect, identify, and initiate corrective action necessary for compliance with Federal railroad safety laws, regulations, or orders, as well as any relevant railroad rules and procedures promulgated to implement those Federal railroad safety laws, regulations, or orders. A designated instructor must make the final determination as to whether the employee has the knowledge, skills, and abilities to become a member of an occupational category; and

(2) When the employee, in the previous 180 days, has either not performed the safety-related duties or not received initial or periodic training for an occupational category or subcategory, the employer shall perform testing to ensure the employee has retained the knowledge necessary to remain a member of that occupational category or subcategory. In the situation where an employee's records are unavailable and the employee is subject to testing under paragraph (d)(1)(ii) of this section, no additional testing is required.

(e) Refresher training requirements and options:

(1) Each Class I railroad, and each intercity or commuter passenger railroad conducting operations subject to this part with 400,000 total employee work hours annually or more, shall deliver refresher training at an interval not to exceed three calendar years from the date of an employee's last training event, except where refresher training is specifically required more frequently in accordance with this chapter. If the last training event occurs, or occurred, before FRA's approval of the employer's training program, the employer shall provide refresher training either within three calendar years from that prior training event or, for each such employer conducting operations as of January 1, 2022, no later than December 31, 2024.

(2) Each employer conducting operations subject to this part not covered by paragraph (e)(1) of this section shall deliver refresher training at

an interval not to exceed three calendar years from the date of an employee's last training event, except where refresher training is specifically required more frequently in accordance with this chapter. If the last training event occurs, or occurred, before FRA's approval of the employer's training program, the employer shall provide refresher training either within three calendar years from that prior training event or, for each such employer conducting operations as of May 1, 2023, no later than December 31, 2026.

(3) Each employer shall ensure that refresher training includes formal training if the employee did not previously receive formal training on the application of any specific Federal railroad safety law, regulation, or order the employee is required to comply with, as well as any relevant railroad rules and procedures promulgated to implement those specific Federal railroad safety laws, regulations, and orders.

(4) Each employer shall ensure that refresher training for employees charged with the inspection of track or railroad equipment address identifying defective conditions and how to initiate immediate remedial action to correct critical safety defects that are known to contribute to derailments, accidents, incidents, or injuries.

(5) Each employer shall ensure that refresher training includes safety-related tasks that address skill gaps that the employer identified in the workforce through efficiency testing, periodic oversight, annual reviews, accident/incident data, FRA inspection data, or other performance measuring metrics.

(6) Except for refresher training required by paragraph (e)(3) of this section, an employer may offer each employee a single test out option for any occupational category or subcategory that, if passed, will be considered an acceptable substitute for refresher training. If the employee does not pass this single test on the first attempt, the employer may not offer the employee additional attempts to test out for the occupational category or subcategory tested and the employer must provide refresher training to the employee in compliance with paragraph (e) of this section. Each test out option must:

(i) Be designed to determine whether an employee has the critical knowledge and skills to continue to be designated to perform safety-related service in that occupational category or subcategory, whether by craft, class, task, or other suitable terminology;

(ii) Meet the equivalent standards required for such assessment testing under formal training in that

occupational category or subcategory; and

(iii) Be recorded under § 243.203 of this part.

(f) Except for the single test out option in paragraph (e)(6) of this section, an employer must consider ways to provide remedial training and retesting of any employee who fails to successfully pass any training or testing. Under this part, a failure of any test or training does not bar the person from successfully completing the training or testing at a later date.

■ 13. Section 243.203 is amended by revising paragraphs (b)(2) and (6), and (c) to read as follows:

§ 243.203 Records.

* * * * *

(b) * * *

(2) Occupational category or subcategory designations, or other suitable designations, for which the employee is deemed qualified;

* * * * *

(6) The employee's OJT performance, which shall include the unique name or identifier of the OJT program component in accordance with § 243.103, the date the OJT program component was successfully completed, and the identification of the designated instructor(s) determining that the employee successfully completed all OJT training necessary to be considered qualified to perform the safety-related tasks identified with the occupational categories or subcategories, or other suitable terminology, for which the employee is designated in accordance with the program required by this part;

* * * * *

(c) *Record accessibility for other than individual employee records.* Except for records demonstrating the qualification status of each safety-related railroad employee as described in paragraph (b) of this section or otherwise specified in this part, each annual review required by this part shall be accessible for three calendar years after the end of the calendar year to which the annual review relates, and each test, inspection, or other event record required by this part shall be accessible for one calendar year after the end of the calendar year to which the event relates. Each employer shall make these records accessible at one headquarters location within the United States, including, but not limited to, a railroad's system headquarters, a holding company's headquarters, a joint venture's headquarters, a contractor's principal place of business or other headquarters located where the contractor is incorporated. This requirement does not

prohibit an employer with divisions from also maintaining any of these records at any division headquarters.

* * * * *

■ 14. Section 243.205 is amended by revising paragraphs (a), (c) introductory text, (e)(1), (g) introductory text, (h), and (i) to read as follows:

§ 243.205 Periodic oversight.

(a) *General.* As part of the program required in accordance with this part, an employer shall adopt and comply with a program to conduct periodic oversight tests or inspections to determine if safety-related railroad employees comply with Federal railroad safety laws, regulations, and orders particular to FRA-regulated personal and work group safety. The program of periodic oversight shall commence on the day the employer files its program with FRA pursuant to § 243.101(a) or on the day the employer commences operations pursuant to § 243.101(b). The data gathered through the testing or inspection components of the program shall be used to determine whether systemic performance gaps exist, and to determine if modifications to the training component of the program are appropriate to close those gaps.

* * * * *

(c) *Railroad oversight.* Each railroad shall identify supervisory employees, by category or subcategory, responsible for conducting periodic oversight tests or inspections for the safety-related railroad employees that it authorizes to perform safety-related duties on its property, except a railroad is not required to:

* * * * *

(e) * * *

(1) When oversight test or inspection sessions are scheduled specifically to determine if safety-related employees are in compliance with Federal railroad safety laws, regulations, and orders particular to FRA-regulated personal and work group safety; or

* * * * *

(g) *Contractor oversight.* Each contractor shall conduct periodic oversight tests or inspections of its safety-related railroad employees provided:

* * * * *

(h) *Oversight divided by written agreement.* (1) Notwithstanding the requirements of paragraphs (c) and (g) of this section, a railroad and a contractor may agree in writing that the contractor will provide the oversight by specifying in the program that the railroad has trained the contractor employees responsible for training and oversight; or

(2) Notwithstanding the requirements of this section that assign specific periodic oversight responsibilities to a railroad or a contractor, a railroad and a contractor may agree to a different periodic oversight responsibility arrangement in writing.

(i) *Detailed records required.* Each employer that conducts periodic oversight in accordance with this section must keep a record of the date,

time, place, and result of each test or inspection. The records shall specify each person administering tests or inspections, and each person tested. The record shall also provide a method to record whether the employee complied with the monitored duties, and any interventions used to remediate non-compliance. Modifications of the program required by § 217.9 of this chapter may be used in lieu of this

oversight program, provided a railroad specifies it has done so in its program submitted in accordance with this part.

* * * * *

Issued in Washington, DC.

David A. Fink,
Administrator.

[FR Doc. 2026-09790 Filed 5-14-26; 8:45 am]

BILLING CODE 4910-06-P

Proposed Rules

Federal Register

Vol. 91, No. 94

Friday, May 15, 2026

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

DEPARTMENT OF AGRICULTURE

Office of the Secretary

7 CFR Parts 330 and 340

[Docket No: USDA–2026–0133]

Request for Information on Modified Organisms Subject to the Plant Protection Act

AGENCY: Office of the Secretary, U.S. Department of Agriculture.

ACTION: Request for information.

SUMMARY: The U.S. Department of Agriculture (USDA) proffers this Request for Information (RFI) to solicit the public's input on regulatory considerations related to the review of modified organisms subject to the Plant Protection Act. The information provided will help identify factors for potential risk-based deregulation and could inform future rulemaking; input might also offer non-regulatory solutions.

DATES: We will consider all comments that we receive on or before June 15, 2026.

ADDRESSES: USDA invites public comments on this RFI and encourages stakeholders, including farmers, industry representatives, and state and local governments, to provide input. You may submit comments, identified by docket number USDA–2026–0133, in the Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the online instructions for submitting comments. All comments will be posted without change and will be publicly available on www.regulations.gov. No proprietary information, copyrighted information, or personally identifiable information should be submitted in response to this RFI.

FOR FURTHER INFORMATION CONTACT: Michael Poe, Office of the General Counsel, USDA, 1400 Independence Avenue SW, Washington, DC 20250–1400, (202) 769–8247.

SUPPLEMENTARY INFORMATION:

Background

Coordinated Framework

Along with the Environmental Protection Agency (EPA) and the Food and Drug Administration (FDA), the United States Department of Agriculture's (USDA's) Animal and Plant Health Inspection Service (APHIS) and the Food Safety and Inspection Service (FSIS) traditionally exercise oversight of certain organisms modified or developed using genetic engineering and the foods derived from them. In 1986, the Office of Science and Technology Policy (OSTP) published the Coordinated Framework for the Regulation of Biotechnology (Coordinated Framework). The Coordinated Framework explains the regulatory roles for EPA, FDA, and the USDA, *i.e.*, APHIS and FSIS, and how existing Federal statutes protected public health and environmental safety while the Coordinated Framework's approach nonetheless ensured regulatory flexibility to foster innovation. The Coordinated Framework was subsequently updated in 1992 (*see* 57 FR 6753) and 2017 (*see* https://www.epa.gov/sites/default/files/2017-01/documents/2017_coordinated_framework_update.pdf) to consider advances that had occurred in the field of biotechnology. In 2023, USDA, EPA, and FDA published a document providing “plain language information” on the Coordinated Framework (*see* <https://usbiotechnologyregulation.mrp.usda.gov/sites/default/files/coordinated-framework-plain-language.pdf>).

USDA Biotechnology Regulations

Under the Plant Protection Act of 2000, as amended (7 U.S.C. 7701–7772, 7781–7786, referred to below as the PPA or the Act), the Secretary of Agriculture has authority to carry out operations or measures to detect, control, eradicate, suppress, prevent, or retard the spread of plant pests. Section 411(a) of the Act (7 U.S.C. 7711(a)) provides that “no person shall import, enter, export, or move in interstate commerce any plant pest, unless the importation, entry, exportation, or movement is authorized under general or specific permit and in accordance with such regulations as the Secretary may issue to prevent the introduction of plant pests into the United States or the dissemination of plant pests within the United States.”

In addition, section 412(a) of the Act (7 U.S.C. 7712(a)) provides that “[t]he Secretary may prohibit or restrict the importation, entry, exportation, or movement in interstate commerce of . . . any biological control organism . . . if the Secretary determines that the prohibition or restriction is necessary to prevent the introduction into the United States or the dissemination of a plant pest or noxious weed within the United States.”

The regulations at 7 CFR part 340 have historically governed the introduction (importation, interstate movement, or release into the environment) of certain genetically engineered (GE) organisms. APHIS first issued these regulations in 1987 under the authority of the Federal Plant Pest Act of 1957 and the Plant Quarantine Act of 1912; these two acts were later subsumed into the PPA in 2000 along with other provisions. Since 1987 and prior to 2020, APHIS amended the regulations six times, in 1988, 1990, 1993, 1994, 1997, and 2005. These various amendments instituted several exemptions, among other reforms. The amendments included exempting certain microorganisms and *Arabidopsis* from the requirement for permits, instituting a notification process and petition procedure, and specifying that plants engineered to produce industrial compounds are not eligible for the notification process. On May 18, 2020, APHIS issued a final rule that marked the first comprehensive revision of the regulations since they were established in 1987, revising 7 CFR part 340 in its entirety (85 FR 29790–29838, Docket No. APHIS–2018–0034, referred to below as the SECURE rule). The rule updated APHIS's regulatory framework and focused regulatory efforts on the properties of the GE organism itself rather than on the method used to produce it. Different parts of the SECURE rule became effective on different dates; the final rule's latest effective date was October 1, 2021. On December 2, 2024, the United States District Court for the Northern District of California subsequently issued an order prospectively vacating these regulations; the Court held that APHIS had violated the Administrative Procedure Act in issuing the May 2020 final rule. *National Family Farm Coalition v. Vilsack*, 758 F.Supp.3d 1060 (N.D. Cal. 2024). The court order

had the legal effect of restoring the pre-May 2020 regulations. On June 16, 2025, APHIS issued a final rule to make technical conforming amendments to the Code of Federal Regulations to reflect the court's vacatur.

7 CFR part 330

The regulations in part 330 govern the movement of plant pests, biological control organisms, and associated articles, such as soil. 7 CFR part 330 aims to prevent the dissemination of plant pests into the United States, or interstate, by regulating the importation and movement in interstate commerce of plant pests, biological control organisms, soil, and associated articles. In 2020, when APHIS revised the regulations in part 340, it also revised § 330.200 to indicate that genetically engineered plant pests and biological control organisms were exempt from regulation under 7 CFR Part 330 and were regulated under 7 CFR Part 340. However, the court's vacatur in December 2024, also vacated these revisions.

7 CFR part 340

Under the current regulations, APHIS oversees the importation, interstate movement, and environmental release of certain GE organisms. A GE organism is considered a regulated article if the donor organism, recipient organism, vector, or vector agent is a plant pest or if the Administrator has reason to believe the GE organism is a plant pest. Persons that wish to move or release a regulated article must obtain authorization through a permit or notification. Upon issuance of a permit, APHIS specifies conditions that prevent the organism's dissemination and establishment in the environment. A notification, on the other hand, is a streamlined alternative to a permit for GE organisms that fall within certain criteria and are subject to pre-defined performance standards. In addition to issuing permits and acknowledging notifications, APHIS responds to petitions that request nonregulated status under these regulations. Notably, the burden rests with the developer of a GE organism to petition the agency and show that its GE organism does not pose a plant pest risk. Such a petition for nonregulated status, if successful, allows for movement and environmental release of a GE organism without the regulatory requirements of notifications or permits.

Executive Order 13874

Executive Order 13874, "Executive Order on Modernizing the Regulatory Framework for Agricultural Biotechnology Products" (June 11, 2019), directs the Federal Government to adopt regulatory approaches for the products of agricultural biotechnology that are proportionate to the risks such products pose, and that avoid arbitrary or unjustifiable distinctions across like products developed through different technologies. Among other things, Executive Order 13874 states that regulatory decisions should be science- and evidence-based, taking economic factors into account as appropriate and consistent with applicable law; that regulatory reviews should be conducted in a timely and efficient manner; and that biotechnology regulations should be transparent, predictable, and consistent.

APHIS's decades of experience in evaluating GE plants and microorganisms for plant pest risk have not revealed a materially different or distinct set of risks associated with GE plants and microorganisms when compared to conventional plants and microorganisms. Further, APHIS's regulations do not take clear notice of substantial advances in biotechnology since the late 1980s. APHIS, therefore, wishes to explore alternative frameworks for regulation of GE organisms under the plant pest provisions of the PPA, to ensure that regulation and oversight are proportionate to risk, that biotechnology developers in the United States have a predictable regulatory pathway to commercialization and, importantly, to ensure APHIS operates within its statutory authority.

Based on this background information, we solicit public comments regarding the following questions:

1. Are there material differences in plant pest risk between conventional and genetically engineered organisms (plants, microorganisms, or insects)? What is the basis, *e.g.*, science-based studies, if such a difference exists? If not, should APHIS continue to distinguish between conventional and genetically engineered organisms in its Plant Protection Act regulations?

2. Describe your experiences of regulation under the SECURE rule. Were there areas that could have been improved? Were there obstacles to performing field trials? What about

obstacles advancing from field trials to commercialization? What were the costs incurred complying with and/or navigating the regulatory requirements of the SECURE rule? What areas of the SECURE rule worked well?

3. Describe your experiences of regulation under the current 7 CFR part 340. Are there areas that could be improved? Are there obstacles to performing field trials? What about obstacles advancing from field trials to commercialization? What are the costs incurred complying with and/or navigating the regulatory requirements of 7 CFR part 340?

4. Could APHIS effectively address plant pest risks of modified organisms by regulating them under 7 CFR part 330 instead of 7 CFR part 340? What should APHIS consider when determining whether 7 CFR part 330 could replace regulation of modified organisms under 7 CFR part 340? For example, what might be the trade implications of a new regulatory framework for modified organisms under the Plant Protection Act?

5. What would the benefits and challenges of regulating modified organisms under 7 CFR part 330? What changes, if any, would need to be made to 7 CFR part 330 for effective regulation?

6. Describe key elements of a regulatory framework, including oversight of field trials, that would enable a scientifically sound assessment of a modified organism's plant pest risk.

7. Did the SECURE rule—and does the current 7 CFR part 340—impose disproportionate burdens on smaller entities developing regulated plants or microorganisms?

8. Are there any other specific issues or topics APHIS should consider in developing a regulatory framework for assessing the plant pest risk of modified organisms, or possible pathways to commercialization for modified organisms?

We welcome all comments on the above questions.

Authority: 7 U.S.C. 7701–7772 and 7781–7786; 31 U.S.C. 9701; 7 CFR 2.22, 2.80, and 371.3.

Andrew Perry,

Office of the General Counsel.

[FR Doc. 2026–09833 Filed 5–14–26; 8:45 am]

BILLING CODE 3410–18–P

NUCLEAR REGULATORY COMMISSION

10 CFR Parts 1, 2, 10, 11, 19, 20, 21, 25, 26, 30, 40, 50, 51, 57, 70, 72, 73, 74, 75, 95, 140, 150

[NRC–2025–0379]

RIN 3150–AL36

Licensing Requirements for Microreactors and Other Reactors With Comparable Risk Profiles

Correction

In Proposed Rule Document 2026–08550, appearing on pages 23628–23766 in the issue of Friday, May 1, 2026, make the following corrections:

§ 21.3 Definitions. [Corrected]

- 1. On page 23707, in the second column, in amendatory paragraph instruction 52 the text “characteristicsv” should read “characteristics”
- 2. Beginning on page 23721, in the third column, in amendatory paragraph instruction 91, the table of contents should read “57.1, 57.3, 57.4, 57.5, 57.6, 57.7, 57.8, and 57.9” and should read as set-forth below..

PART 57—LICENSING REQUIREMENTS FOR MICROREACTORS AND OTHER REACTORS WITH COMPARABLE RISK PROFILES [Corrected]

Subpart A—General Provisions

- Sec.
- 57.1 Scope.
- 57.3 Definitions.
- 57.4 Written communications.
- 57.5 Deliberate misconduct.
- 57.6 Employee protection.
- 57.7 Completeness and accuracy of information.
- 57.8 Information collection requirements: OMB approval.
- 57.9 Specific exemptions.
- 57.11 Jurisdictional limits.
- 57.12 Attacks and destructive acts.
- 57.13 Rights related to special nuclear material.
- 57.14 License suspension and rights of recapture.
- 57.15 Agreement limiting access to Classified Information.
- 57.16 Backfitting and issue finality.
- 57.17 Referral to the Advisory Committee on Reactor Safeguards (ACRS).
- 57.18 Combining licenses; elimination of repetition; relationships between subparts.
- 57.19 Filing of applications.

Subpart B—Eligibility

- 57.20 Scope.
- 57.25 Applicability.
- 57.30 Design criteria attributes.
- 57.35 Licensing requirements.

Subpart C—Construction Permits and Operating Licenses

- 57.40 Scope.
- 57.45 License required; exceptions from licensing.
- 57.55 Contents of applications; general information.
- 57.60 Contents of applications; technical information.
- 57.80 Standards for review of applications.
- 57.90 Common standards for licenses.
- 57.95 Issuance of construction permit.
- 57.100 Issuance of operating license.
- 57.105 Continuation of license.
- 57.110 Transfer of licenses.
- 57.115 Application for renewal.
- 57.120 Criteria for renewal.
- 57.130 Hearings.
- 57.135 Duration of renewal.
- 57.142 Finality for construction permits and operating licenses.

Subpart D—Manufacturing Licenses

- 57.145 Scope.
- 57.150 Contents of applications for manufacturing licenses; general information.
- 57.155 Contents of applications; technical information in final safety analysis report.
- 57.160 Contents of applications; additional information.
- 57.165 Standards for review of applications.
- 57.170 Administrative review of applications; hearings.
- 57.172 Issuance of manufacturing license.
- 57.175 Finality of manufacturing licenses; information requests.
- 57.180 Duration of manufacturing license.
- 57.185 Transfer of manufacturing license.
- 57.190 Renewal of manufacturing licenses.
- 57.197 Manufacturing.

Subpart E—Standard Design Approvals

- 57.200 Scope.
- 57.205 Contents of applications; general information.
- 57.210 Contents of applications; technical information.
- 57.213 Standards for review of applications.
- 57.215 Staff approval of design.
- 57.220 Finality of standard design approvals; information requests.
- 57.225 Duration of design approval.

Subpart F—Reporting of Defects and Noncompliance

- 57.230 Purpose.
- 57.235 Scope.
- 57.240 Definitions.
- 57.255 Posting requirements.
- 57.260 Exemptions.
- 57.270 Notification of failure to comply or existence of a defect and its evaluation.
- 57.275 Procurement documents.
- 57.280 Inspections.
- 57.285 Maintenance and inspection of records.
- 57.290 Failure to notify.

Subpart G—Irradiated Fuel Storage, Decommissioning, and Termination of License Requirements

- 57.300 Irradiated fuel storage.
- 57.305 Decommissioning and license termination.

Subpart H—Maintaining and Revising Licensing Basis Information

- 57.310 Amendment of license.
- 57.312 Changes to facility as described in final safety analysis reports.
- 57.315 Maintenance and submittal of the final safety analysis, as updated.
- 57.317 Updated decommissioning report

Subpart I—Transportation Package Design Certification

- 57.319 Purpose.
- 57.320 Applicability.

Subpart J—Physical Security Requirements

- 57.325 Physical security requirements.

Subpart K—Categorical Exclusion

- 57.350 Categorical exclusion.

Subpart L—Inspections

- 57.355 Unfettered access for inspections.

Subpart M—Material Control and Accounting

- 57.360 Material control and accounting.

Subpart N [Reserved]

Subpart O—Enforcement

- 57.380 Violations.
- 57.385 Criminal penalties.

Subpart P—Operator Licensing and Human Factors

- 57.390 Definitions.
- 57.391 General requirements for operator licensing and human factors.
- 57.392 Communications.
- 57.393 Completeness and accuracy of information.
- 57.395 Human factors engineering requirements.
- 57.398 Operator license requirements.
- 57.399 Facility licensee requirements—General.
- 57.400 Facility licensee requirements related to GLROs.
- 57.405 Generally licensed reactor operators.
- 57.410 Generally licensed reactor operator training, examination, and proficiency programs.
- 57.415 Cessation of individual applicability.
- 57.420 Operator licensing for operator-dependent facilities.
- 57.421 Medical requirements.
- 57.422 Incapacitation because of disability or illness.
- 57.423 Applications for operators and senior operators.
- 57.424 Training, examination, and proficiency programs.
- 57.425 Conditions of operator and senior operator licenses.
- 57.426 Issuance, modification, and revocation of operator and senior operator licenses.
- 57.427 Expiration of operator and senior operator licenses.
- 57.429 Training and qualification for non-licensed personnel.

Subpart Q—Reporting and Other Administrative Requirements

- 57.430 Maintenance of records, making of reports.

- 57.435 Reporting requirements.
 57.440 Licensee event report system.
 57.445 Reports of radiation exposure to
 members of the public.

Subpart A—General Provisions [Corrected]

* * * * *

§ 57.1 Scope. [Corrected]

- 3. On page 23722, in the third column, the heading, “§ 57.157.1 Scope.” should read “§ 57.1 Scope.”

§ 57.3 Definitions. [Corrected]

- 4. On page 23722, in the third column, the heading, “§ 57.357.3 Definitions.”, should read “§ 57.3 Definitions.”

§ 57.4 Written communications. [Corrected]

- 5. On page 23724, in the third column, the heading, “§ 57.457.4 Written communications.”, should read “§ 57.4 Written communications.”

§ 57.5 Deliberate misconduct. [Corrected]

- 6. On page 23726, in the first column, the heading, “§ 57.557.5 Deliberate misconduct.”, should read “§ 57.5 Deliberate misconduct.”

§ 57.6 Employee protection. [Corrected]

- 7. On page 23726, in the second column, the heading, “§ 57.657.6 Employee protection.”, should read “§ 57.6 Employee protection.”

§ 57.7 Completeness and accuracy of information. [Corrected]

- 8. On page 23727, in the first column, the heading, “§ 57.757.7 Completeness and accuracy of information.”, should read “§ 57.7 Completeness and accuracy of information.”

§ 57.8 Information collection requirements: OMB approval. [Corrected]

- 9. On page 23727, in the second column, the heading, “§ 57.857.8 Information collection requirements: OMB approval.”, should read “§ 57.8 Information collection requirements: OMB approval.”

§ 57.9 Specific exemptions. [Corrected]

- 10. On page 23727, in the second column, the heading, “§ 57.957.9 Specific exemptions.”, should read “§ 57.9 Specific exemptions.”

* * * * *

§ 72.3 Definitions. [Corrected]

- 11. On page 23761, in the third column, the heading, “§ 72.372.3 Definitions.”, should read “§ 72.3 Definitions.”

* * * * *

§ 73.1 Purpose and scope. [Corrected]

- 12. On page 23762, in the second column, the heading “§ 73.173.1 Purpose and scope.”, should read “§ 73.1 Purpose and scope.”

§ 73.2 Definitions. [Corrected]

- 13. On page 23762, in the second column, the heading “§ 73.273.2 Definitions.”, should read “§ 73.2 Definitions.”

§ 73.8 Information collection requirements: OMB approval. [Corrected]

- 14. On page 23762, in the second column, the heading “§ 73.873.8 Information collection requirements: OMB approval.”, should read “§ 73.8 Information collection requirements: OMB approval.”

* * * * *

§ 75.4 Definitions. [Corrected]

- 15. On page 23765, in the second column, the heading “§ 75.475.4 Definitions.”, should read “§ 75.4 Definitions.”

* * * * *

§ 95.5 Definitions. [Corrected]

- 16. On page 23765, in the third column, the heading “§ 95.595.5 Definitions.”, should read “§ 95.5 Definitions.”

* * * * *

§ 140.2 Scope. [Corrected]

- 17. On page 23765, in the third column, the heading “§ 140.2140.2 Scope.”, should read “§ 140.2 Scope.”

* * * * *

[FR Doc. C1–2026–08550 Filed 5–14–26; 8:45 am]

BILLING CODE 0099–10–D

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2026–4636; Project Identifier MCAI–2026–00070–A]

RIN 2120–AA64

Airworthiness Directives; Diamond Aircraft Industries Inc. Airplanes

AGENCY: Federal Aviation
Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking
(NPRM).

SUMMARY: The FAA proposes to adopt a new airworthiness directive (AD) for certain Diamond Aircraft Industries Inc. (DAI) Model DA20–C1 airplanes. This proposed AD was prompted by a report

of a certain emergency locator transmitter (ELT) not activating due to a missing jumper wire. This proposed AD would require a continuity inspection of the D-sub connector of the Artex ELT 1000 and, if necessary, corrective actions. The FAA is proposing this AD to address the unsafe condition on these products.

DATES: The FAA must receive comments on this NPRM by June 29, 2026.

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

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

- *Fax:* (202) 493–2251.

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

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

AD Docket: You may examine the AD docket at [regulations.gov](https://www.regulations.gov) under Docket No. FAA–2026–4636; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, the mandatory continuing airworthiness information (MCAI), any comments received, and other information. The street address for Docket Operations is listed above.

Material Incorporated by Reference:

- For Diamond Aircraft Industries material identified in this proposed AD, contact DAI, 1560 Crumlin Sideroad, London, Ontario, Canada, N5V 1S2; phone: (519) 457–4041, fax: (519) 457–4045; email: support-canada@diamondaircraft.com; website: www.diamondaircraft.com.

- You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 1100 Main, Kansas City, MO 64105. For information on the availability of this material at the FAA, call (817) 222–5110.

FOR FURTHER INFORMATION CONTACT:

William Reisenauer, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (516) 228–7301; email: ECB-COS@faa.gov.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA invites you to send any written relevant data, views, or arguments about this proposal. Send your comments using a method listed under **ADDRESSES**. Include “Docket No.

FAA–2026–4636; Project Identifier MCAI–2026–00070–A” at the beginning of your comments. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may amend this proposal because of those comments.

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

Confidential Business Information

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this NPRM contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this NPRM, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as “PROPIN.” The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this NPRM. Submissions containing CBI should be sent to William Reisenauer, Aviation Safety Engineer, FAA, 1600

Stewart Avenue, Suite 410, Westbury, NY 11590. Any commentary that the FAA receives which is not specifically designated as CBI will be placed in the public docket for this rulemaking.

Background

Transport Canada, which is the aviation authority for Canada, has issued Transport Canada AD CF–2026–03, dated January 21, 2026 (referred to as the MCAI), to correct an unsafe condition on all DAI Model DA20–C1 airplanes having an Artex ELT 1000 installed. The MCAI states that DAI received a report of an occurrence where the Artex ELT 1000 installed in a DA20–C1 airplane did not perform as intended. Further investigation by the manufacturer revealed that some Artex ELT 1000 units might not have a jumper wire between the D-sub pins 5 and 12, which could prevent the ELT beacon from being activated by the internal G-Switch and the aural alert buzzer from being activated in the event of an accident. The FAA is proposing this AD to detect and address the missing jumper wire on the Artex ELT 1000.

You may examine the MCAI in the AD docket at *regulations.gov* under Docket No. FAA–2026–4636.

Material Incorporated by Reference Under 1 CFR Part 51

The FAA reviewed DAI Mandatory Service Bulletin No. DAC1–25–05 Rev. 1, dated July 19, 2024. This material specifies procedures for performing a continuity inspection on the D-sub connector of the Artex ELT 1000 and, if necessary, installing the jumper wire into the D-sub connector.

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

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

FAA’s Determination

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

Proposed AD Requirements in This NPRM

This proposed AD would require accomplishing the actions specified in the material already described, except as discussed under “Differences Between this Proposed AD and the Referenced Material.”

Differences Between This Proposed AD and the Referenced Material

Although step 14 of the Accomplishment/Instructions of DAI Mandatory Service Bulletin DAC1–25–05, Rev. 1, dated July 19, 2024, requires completing and sending an execution report to the manufacturer, this proposed AD does not require that action.

Costs of Compliance

The FAA estimates that this AD, if adopted as proposed, would affect 365 airplanes of U.S. registry.

The FAA estimates the following costs to comply with this proposed AD:

ESTIMATED COSTS				
Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Continuity inspection and corrective actions ..	1 work-hour × \$85 per hour = \$85	\$0	\$85	\$31,025

The FAA estimates the following costs to do any repairs that would be

required based on the results of the proposed inspection. The agency has no

way of determining the number of airplanes that might need these repairs:

ON-CONDITION COSTS			
Action	Labor cost	Parts cost	Cost per product
Install jumper wire	1 work-hour × \$85 per hour = \$85	\$3	\$88

Authority for This Rulemaking

Title 49 of the United States Code specifies the FAA’s authority to issue

rules on aviation safety. Subtitle I, section 106, describes the authority of the FAA Administrator. Subtitle VII: Aviation Programs, describes in more

detail the scope of the Agency’s authority.

The FAA is issuing this rulemaking under the authority described in

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

Regulatory Findings

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

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

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

List of Subjects in 14 CFR Part 39

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

The Proposed Amendment

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

PART 39—AIRWORTHINESS DIRECTIVES

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

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

§ 39.13 [Amended]

- 2. The FAA amends § 39.13 by adding the following new airworthiness directive:

Diamond Aircraft Industries Inc.: Docket No. FAA–2026–4636; Project Identifier MCAI–2026–00070–A.

(a) Comments Due Date

The FAA must receive comments on this airworthiness directive (AD) by June 29, 2026.

(b) Affected ADs

None.

(c) Applicability

This AD applies to all Diamond Aircraft Industries Inc. Model DA20–C1 airplanes, certificated in any category, that have an Artex emergency locator transmitter (ELT) 1000 installed.

(d) Subject

Joint Aircraft System Component (JASC) Code 2562, Emergency Locator Beacon.

(e) Unsafe Condition

This AD was prompted by a report of a certain ELT not activating due to a missing jumper wire. The FAA is issuing this AD to detect and address a missing jumper wire on the Artex ELT 1000. The unsafe condition, if not addressed, could result in the ELT beacon and aural alert buzzer not activating in the event of an accident.

(f) Compliance

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

(g) Required Actions

Within 3 months after the effective date of this AD, perform a continuity inspection of the D-sub connector and accomplish all required corrective actions in accordance with the Accomplishment/Instructions, Paragraph I.9, of Diamond Aircraft Industries Mandatory Service Bulletin No. DAC1–25–05, Rev. 1, dated July 19, 2024.

(h) No Reporting Requirement

Although step 14 of the Accomplishment/Instructions of Diamond Aircraft Industries Mandatory Service Bulletin No. DAC1–25–05, Rev. 1, dated July 19, 2024, requires completing and sending an execution report to the manufacturer, this AD does not include that requirement.

(i) Alternative Methods of Compliance (AMOCs)

The Manager, International Validation Branch, FAA, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the manager of the International Validation Branch, send it to the attention of the person identified in paragraph (j) of this AD and email to: AMOC@faa.gov. Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local flight standards district office/certificate holding district office.

(j) Additional Information

For more information about this AD, contact William Reisenauer, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (516) 228–7301; email: ECB-COS@faa.gov.

(k) Material Incorporated by Reference

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

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

(i) Diamond Aircraft Industries Mandatory Service Bulletin No. DAC1–25–05, Rev. 1, dated July 19, 2024.

(ii) [Reserved]

(3) For Diamond Aircraft Industries material identified in this AD, contact Diamond Aircraft Industries Inc., 1560 Crumlin Sideroad, London, Ontario, Canada, N5V 1S2; phone: (519) 457–4041, fax: (519) 457–4045; email: support-canada@diamondaircraft.com; website: www.diamondaircraft.com.

(4) You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 1100 Main, Kansas City, MO 64105. For information on the availability of this material at the FAA, call (817) 222–5110.

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

Issued on May 12, 2026.

Paul R. Bernado,

Acting Director, Compliance & Airworthiness Division, Aircraft Certification Service.

[FR Doc. 2026–09772 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2026–4636; Project Identifier MCAI–2023–00794–R]

RIN 2120–AA64

Airworthiness Directives; Airbus Helicopters

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: The FAA proposes to adopt a new airworthiness directive (AD) for certain Airbus Helicopters Model AS350B, AS350BA, AS350B1, AS350B2, AS350B3, AS350D, EC130B4, and EC130T2 helicopters. This proposed AD was prompted by reports of an incorrectly installed engine flange on the main gear box (MGB) engine coupling. This proposed AD would require inspecting the MGB engine coupling for correct installation and, depending on the results, corrective actions. The FAA is proposing this AD to address the unsafe condition on these products.

DATES: The FAA must receive comments on this NPRM by June 29, 2026.

ADDRESSES: You may send comments, using the procedures found in 14 CFR

11.43 and 11.45, by any of the following methods:

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

- *Fax*: (202) 493–2251.

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

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

AD Docket: You may examine the AD docket at [regulations.gov](https://www.regulations.gov) under Docket No. FAA–2026–4638; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, the mandatory continuing airworthiness information (MCAI), any comments received, and other information. The street address for Docket Operations is listed above.

Material Incorporated by Reference:

- For European Union Aviation Safety Agency (EASA) material identified in this proposed AD, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; phone: +49 221 8999 000; email: ADs@easa.europa.eu; website: easa.europa.eu. You may find the EASA material on the EASA website at ad.easa.europa.eu.

- You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 10101 Hillwood Parkway, Fort Worth, TX 76177. For information on the availability of this material at the FAA, call (817) 222–5110.

FOR FURTHER INFORMATION CONTACT:

Aryanna Sanchez, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (520) 990–9321; email: aryanna.t.sanchez@faa.gov.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA invites you to send any written relevant data, views, or arguments about this proposal. Send your comments using a method listed under **ADDRESSES**. Include “Docket No. FAA–2026–4638; Project Identifier MCAI–2023–00794–R” at the beginning of your comments. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may amend this proposal because of those comments.

Except for Confidential Business Information (CBI) as described in the

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

Confidential Business Information

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this NPRM contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this NPRM, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as “PROPIN.” The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this NPRM. Submissions containing CBI should be sent Aryanna Sanchez, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590. Any commentary that the FAA receives which is not specifically designated as CBI will be placed in the public docket for this rulemaking.

Background

EASA, which is the Technical Agent for the Member States of the European Union, has issued EASA AD 2023–0127, dated June 27, 2023 (EASA AD 2023–0127) (also referred to as the MCAI), to correct an unsafe condition on Airbus Helicopters Model AS 350 B, AS 350 BA, AS 350 BB, AS 350 B1, AS 350 B2, and AS 350 B3 helicopters, manufactured before May 15, 2023; Model AS 350 D helicopters (except helicopters equipped with a Lycoming engine) manufactured before May 15, 2023; and Model EC 130 B4 and EC 130 T2 helicopters manufactured before February 13, 2023. The MCAI states that on the final assembly line, the engine flange on the MGB engine coupling may have been installed inverted.

The FAA is proposing this AD to detect and correct the inverted installation of the engine flange on the MGB engine coupling. This condition, if not detected and corrected, could result in the loss of power transmission to the MGB and the main rotor and lead to loss of control of the helicopter.

You may examine the MCAI in the AD docket at [regulations.gov](https://www.regulations.gov) under Docket No. FAA–2026–4638.

Material Incorporated by Reference Under 1 CFR Part 51

The FAA reviewed EASA AD 2023–0127, which specifies procedures for a one-time inspection of the MGB engine coupling for correct installation. Depending on the results, EASA AD 2023–0127 specifies installing a correctly assembled engine flange or a new engine flange. EASA AD 2023–0127 also specifies reporting the inspection results to the manufacturer. This material is reasonably available because the interested parties have access to it through their normal course of business or by the means identified in **ADDRESSES**.

FAA’s Determination

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

Proposed AD Requirements in This NPRM

This proposed AD would require accomplishing the actions specified in EASA AD 2023–0127, described previously, as incorporated by reference, except for any differences identified as exceptions in the regulatory text of this proposed AD. See “Differences Between this Proposed AD and the MCAI” for a discussion of the general differences included in this proposed AD.

Differences Between This Proposed AD and the MCAI

The MCAI applies to Airbus Helicopters Model AS 350 BB helicopter, whereas this proposed AD does not because that model does not have an FAA type certificate.

Explanation of Required Compliance Information

In the FAA’s ongoing efforts to improve the efficiency of the AD process, the FAA developed a process to use some CAA ADs as the primary source of information for compliance with requirements for corresponding FAA ADs. The FAA has been coordinating this process with

manufacturers and CAAs. As a result, the FAA incorporates EASA AD 2023–0127 by reference in the FAA final rule. This proposed AD would, therefore, require compliance with EASA AD 2023–0127 in its entirety through that incorporation, except for any differences identified as exceptions in the regulatory text of this proposed AD. Using common terms that are the same as the heading of a particular section in

EASA AD 2023–0127 does not mean that operators need comply only with that section. For example, where the AD requirement refers to “all required actions and compliance times,” compliance with this AD requirement is not limited to the section titled “Required Action(s) and Compliance Time(s)” in EASA AD 2023–0127. Material required by EASA AD 2023–0127 for compliance will be available at

regulations.gov under Docket No. FAA–2026–4638 after the FAA final rule is published.

Costs of Compliance

The FAA estimates that this AD, if adopted as proposed, would affect 4,102 helicopters of U.S. registry.

The FAA estimates the following costs to comply with this proposed AD:

ESTIMATED COSTS

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Inspect MGB engine coupling	1 work-hour × \$85 per hour = \$85	0	85	348,670

The FAA estimates the following costs to do any corrective actions that would be required based on the results

of the proposed inspection. The agency has no way of determining the number

of helicopters that might need this corrective action:

ON-CONDITION COSTS

Action	Labor cost	Parts cost	Cost per product
Install engine flange	2 work-hours × \$85 per hour = \$170.	Up to \$1,935	Up to \$2,105.

Authority for This Rulemaking

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

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

Regulatory Findings

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

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

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

List of Subjects in 14 CFR Part 39

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

The Proposed Amendment

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

PART 39—AIRWORTHINESS DIRECTIVES

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

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

§ 39.13 [Amended]

- 2. The FAA amends § 39.13 by adding the following new airworthiness directive:

Airbus Helicopters: Docket No. FAA–2026–4638; Project Identifier MCAI–2023–00794–R.

(a) Comments Due Date

The FAA must receive comments on this airworthiness directive (AD) by June 29, 2026.

(b) Affected ADs

None.

(c) Applicability

This AD applies to all Airbus Helicopters, certificated in any category, identified in paragraphs (c)(1) through (3) of this AD.

(1) Model AS350B, AS350BA, AS350B1, AS350B2, and AS350B3 helicopters, with a helicopter manufacture date before May 15, 2023.

(2) Model AS350D helicopters, with a helicopter manufacture date before May 15, 2023, except helicopters equipped with a Lycoming engine.

(3) Model EC130B4 and EC130T2 helicopters, with a helicopter manufacture date before February 13, 2023.

Note 1 to paragraph (c)(1): Helicopters with AS350B3e designation are Model AS350B3 helicopters.

(d) Subject

Joint Aircraft System Component (JASC) Code 6300, Main rotor drive.

(e) Unsafe Condition

This AD was prompted by reports of an incorrectly installed engine flange on the main gear box (MGB) engine coupling. The FAA is issuing this AD to detect and correct the inverted installation of the engine flange on the MGB engine coupling. The unsafe condition, if not detected and corrected, could result in the loss of power transmission

to the MGB and the main rotor and lead to loss of control of the helicopter.

(f) Compliance

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

(g) Required Actions

Except as specified in paragraphs (h) and (i) of this AD: Comply with all required actions and compliance times specified in, and in accordance with European Union Aviation Safety Agency AD 2023–0127, dated June 27, 2023 (EASA AD 2023–0127).

(h) Exceptions to EASA AD 2023–0127

(1) Where EASA AD 2023–0127 refers to its effective date, this AD requires using the effective date of this AD.

(2) Where EASA AD 2023–0127 refers to flight hours, this AD requires using hours time-in-service.

(3) Where the material referenced in EASA AD 2023–0127 specifies discarding certain parts, this AD requires removing those parts from service.

(4) This AD does not adopt the “Remarks” section of EASA AD 2023–0127.

(i) No Reporting Requirement

Although EASA AD 2023–0127 specifies to submit certain information to the manufacturer, this AD does not require that action.

(j) Alternative Methods of Compliance (AMOCs)

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

(2) Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local flight standards district office/certificate holding district office.

(k) Additional Information

For more information about this AD, contact Aryanna Sanchez, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (520) 990–9321; email: aryanna.t.sanchez@faa.gov.

(l) Material Incorporated by Reference

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

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

(i) European Union Aviation Safety Agency (EASA) AD 2023–0127, dated June 27, 2023.

(ii) [Reserved]

(3) For EASA material identified in this AD, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; phone: +49 221

8999 000; email: ADs@easa.europa.eu; website: easa.europa.eu. You may find the EASA material on the EASA website at ad.easa.europa.eu.

(4) You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 10101 Hillwood Parkway, Fort Worth, TX 76177. For information on the availability of this material at the FAA, call (817) 222–5110.

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

Issued on May 12, 2026.

Paul R. Bernado,

Acting Director, Compliance & Airworthiness Division, Aircraft Certification Service.

[FR Doc. 2026–09773 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2026–4637; Project Identifier MCAI–2025–01226–G]

RIN 2120–AA64

Airworthiness Directives; Stemme GmbH Gliders

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: The FAA proposes to adopt a new airworthiness directive (AD) for all Stemme GmbH (Stemme) Model Stemme S 12 gliders. This proposed AD was prompted by reports of fuel leaking around certain copper sealing rings within the fuel system. This proposed AD would require repetitive visual checks of the fuel system for fuel leakage, and replacement of the affected copper sealing ring. This proposed AD would also prohibit the installation of affected parts. The FAA is proposing this AD to address the unsafe condition on these products.

DATES: The FAA must receive comments on this NPRM by June 29, 2026.

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

- *Federal eRulemaking Portal:* Go to regulations.gov. Follow the instructions for submitting comments.

- *Fax:* (202) 493–2251.

- *Mail:* U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room

W12–140, 1200 New Jersey Avenue SE, Washington, DC 20590.

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

AD Docket: You may examine the AD docket at regulations.gov under Docket No. FAA–2026–4637; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, the mandatory continuing airworthiness information (MCAI), any comments received, and other information. The street address for Docket Operations is listed above.

Material Incorporated by Reference:

- For Stemme material identified in this proposed AD, contact Stemme, Flugplatzstrasse F2 Nr. 6–7, Strausberg, Germany 15344; phone: +49 (0) 3341 3612; email: airworthiness@stemme.com; website: stemme.com.

- You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 1100 Main, Kansas City, MO 64105. For information on the availability of this material at the FAA, call (817) 222–5110.

FOR FURTHER INFORMATION CONTACT:

George Weir, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (817) 222–4045; email: george.a.weir@faa.gov.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA invites you to send any written relevant data, views, or arguments about this proposal. Send your comments using a method listed under **ADDRESSES**. Include “Docket No. FAA–2026–4637; Project Identifier MCAI–2025–01226–G” at the beginning of your comments. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may amend this proposal because of those comments.

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

Confidential Business Information

CBI is commercial or financial information that is both customarily and

actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this NPRM contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this NPRM, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as “PROPIN.” The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this NPRM. Submissions containing CBI should be sent to George Weir, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590. Any commentary that the FAA receives which is not specifically designated as CBI will be placed in the public docket for this rulemaking.

Background

The European Union Aviation Safety Agency (EASA), which is the Technical Agent for the Member States of the European Union, has issued EASA AD 2025–0155, dated July 21, 2025 (referred to as the MCAI), to correct an unsafe condition on Stemme Model Stemme S 12 gliders. The MCAI states that occurrences of fuel leaks at multiple locations within the fuel system have been reported. To address the unsafe

condition, Stemme published service material to provide replacement instructions for affected copper sealing rings, and a parts installation restriction. This condition, if not addressed, could result in an in-flight fire.

All of the affected airplanes were produced and delivered with the affected copper sealing rings installed.

You may examine the MCAI in the AD docket at *regulations.gov* under Docket No. FAA–2026–4637.

Material Incorporated by Reference Under 1 CFR Part 51

The FAA reviewed Stemme Service Bulletin (SB) P062–980082 Revision 01, dated July 15, 2025. This material specifies procedures for replacement of affected copper sealing rings within the fuel pump set assembly and drainer complete assembly.

This material is reasonably available because the interested parties have access to it through their normal course of business or by the means identified in the ADDRESSES section.

FAA’s Determination

These products have been approved by the civil aviation authority of another country and are approved for operation in the United States. Pursuant to the FAA’s bilateral agreement with this State of Design Authority, that authority has notified the FAA of the unsafe condition described in the MCAI and material referenced above. The FAA is

issuing this NPRM after determining that the unsafe condition described previously is likely to exist or develop on other products of the same type design.

Proposed AD Requirements in This NPRM

This proposed AD would require repetitive visual checks of the fuel system for fuel leakage (staining, wetness, dripping, etc.) and replacement of the affected copper sealing rings if leakage is detected. This proposed AD would also prohibit the installation of affected parts.

The owner/operator (pilot) holding at least a private pilot certificate may perform the visual check and must enter compliance with the applicable paragraph of this AD into the glider maintenance records in accordance with 14 CFR 43.9(a) and 91.417(a)(2)(v). The pilot may perform this action because it only involves visually checking affected locations for fuel leakage. This action could be performed equally well by a pilot or a mechanic. This is an exception to the FAA’s standard maintenance regulations.

Costs of Compliance

The FAA estimates that this AD, if adopted as proposed, would affect 31 gliders of U.S. registry.

The FAA estimates the following costs to comply with this proposed AD:

ESTIMATED COSTS

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Visual check of fuel system	1 work-hour × \$85 per hour = \$85	\$0	\$85	\$2,635
Replacement of copper sealing rings	2 work-hours × \$85 per hour = \$170	150	320	9,920

Authority for This Rulemaking

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

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

unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

Regulatory Findings

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

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

- (1) Is not a “significant regulatory action” under Executive Order 12866,
- (2) Would not affect intrastate aviation in Alaska, and

(3) Would not have a significant economic impact, positive or negative, on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR Part 39

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

The Proposed Amendment

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

PART 39—AIRWORTHINESS DIRECTIVES

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

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

§ 39.13 [Amended]

■ 2. The FAA amends § 39.13 by adding the following new airworthiness directive:

Stemme GmbH: Docket No. FAA–2026–4637; Project Identifier MCAI–2025–01226–G.

(a) Comments Due Date

The FAA must receive comments on this airworthiness directive (AD) by June 29, 2026.

(b) Affected ADs

None.

(c) Applicability

This AD applies to all Stemme GmbH Model Stemme S 12 gliders, certificated in any category.

Note to paragraph (c): All of the affected airplanes were produced and delivered with the affected copper sealing rings installed.

(d) Subject

Joint Aircraft System Component (JASC) Code 2800, Aircraft Fuel System.

(e) Unsafe Condition

This AD was prompted by reports of fuel leaking around certain copper sealing rings within the fuel system. The FAA is issuing this AD to prevent fuel leakage in the fuel system. The unsafe condition, if not addressed, could result in an in-flight fire.

(f) Compliance

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

(g) Definitions

For the purpose of this AD, the definitions in paragraphs (g)(1) through (4) of this AD apply.

(1) An “affected location” is any of the following:

(i) The copper sealing ring within the fuel pump set assembly having part number (P/N) 128201, between the screw-in adapter having P/N 831099 and the fuel distributor having P/N 128229, and between the screw-in adapter having P/N 831099 and the fuel distributor having P/N 128228. The fuel pump set assembly P/N 128201 is located at the front left area of the middle fuselage and may be accessed from below when the main landing gear is extended. (Location defined in Stemme Service Bulletin (SB) P062–980082 Revision 01, dated July 15, 2025, Page 1 of 3, Action 2 and Figure 1)

(ii) The copper sealing ring within the drainer complete having P/N 128207, between the screw-in adapter having P/N 831099 and the drainer attachment having P/N 128271. The drainer complete P/N 128207 is located at the main landing gear bay and may be accessed from below when the main landing gear is extended. (Location defined in Stemme SB P062–980082 Revision 01, dated July 15, 2025, Page 2 of 3, Action 3 and Page 3 of 3 Figure 2)

(2) An “affected part” is a copper sealing ring having P/N D7603–12016–CU.

(3) “Group 1 gliders” are gliders that have an affected part installed.

(4) “Group 2 gliders” are gliders that do not have an affected part installed.

(h) Required Actions

(1) For Group 1 gliders, before further flight after the effective date of this AD and thereafter before each flight until the replacement required by paragraph (h)(2) is accomplished, perform a visual check using a light source of the affected locations for indications of fuel leakage (staining, wetness, dripping, etc). The owner/operator (pilot) holding at least a private pilot certificate may perform the visual check and must enter compliance with the applicable paragraph of this AD into the glider maintenance records in accordance with 14 CFR 43.9(a) and 91.417(a)(2)(v). The record must be maintained as required by 14 CFR 91.417.

(2) For Group 1 gliders, at whichever compliance time in paragraph (h)(2)(i) or (ii) that occurs first, replace the affected part at each affected location with a sealing ring having P/N 831984 in accordance with the instructions of Action 2 or Action 3 of Stemme SB P062–980082, Revision 01, dated July 15, 2025, as applicable.

(i) Before further flight if any leakage is detected during any preflight check required by paragraph (h)(1) of this AD.

(ii) Within 100 hours time-in-service after the effective date of this AD.

(i) Installation Prohibition

For Group 1 and Group 2 gliders: As of the effective date of this AD, do not install an affected part as defined in paragraph (g)(2) of this AD on any glider.

(j) Alternative Methods of Compliance (AMOCs)

The Manager, International Validation Branch, FAA, has the authority to approve AMOCs for this AD, if requested using the procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the manager of the International Validation Branch, send it to the attention of the person identified in paragraph (k) of this AD and email to: AMOC@faa.gov. Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the local flight standards district office/certificate holding district office.

(k) Additional Information

For more information about this AD, contact George Weir, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (817) 222–4045; email: george.a.weir@faa.gov.

(l) Material Incorporated by Reference

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

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

(i) Stemme Service Bulletin P062–980082, Revision 01, dated July 15, 2025.

(ii) [Reserved]

(3) For Stemme material identified in this AD, contact Stemme GmbH, Flugplatzstrasse F2 Nr. 6–7, Strausberg, Germany 15344; phone: +49 (0) 3341 3612; email: airworthiness@stemme.com; website: stemme.com.

(4) You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 1100 Main, Kansas City, MO 64105. For information on the availability of this material at the FAA, call (817) 222–5110.

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

Issued on May 12, 2026.

Paul R. Bernado,

Acting Director, Compliance & Airworthiness Division, Aircraft Certification Service.

[FR Doc. 2026–09801 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2026–0018; Project Identifier MCAI–2025–01384–A]

RIN 2120–AA64

Airworthiness Directives; Pilatus Aircraft Ltd. Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Supplemental notice of proposed rulemaking (SNPRM).

SUMMARY: The FAA is revising a notice of proposed rulemaking (NPRM) that would have applied to certain Pilatus Aircraft Ltd. (Pilatus) Model PC–12 airplanes. This action revises the NPRM by changing the applicability. The FAA is proposing this airworthiness directive (AD) to address the unsafe condition on these products. Since these actions would impose an additional burden over those in the NPRM for different airplanes, the FAA is requesting comments on this SNPRM.

DATES: The FAA must receive comments on this SNPRM by June 29, 2026.

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

- *Federal eRulemaking Portal:* Go to regulations.gov. Follow the instructions for submitting comments.

- *Fax:* (202) 493–2251.

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

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

AD Docket: You may examine the AD docket at [regulations.gov](https://www.regulations.gov) under Docket No. FAA–2026–0018; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this SNPRM, the mandatory continuing airworthiness information (MCAI), any comments received, and other information. The street address for Docket Operations is listed above.

Material Incorporated by Reference:

- For European Union Aviation Safety Agency (EASA) material identified in this proposed AD, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; phone: +49 221 8999 000; email: ADs@easa.europa.eu; website: easa.europa.eu. You may find this material on the EASA website at ad.easa.europa.eu. It is also available at [regulations.gov](https://www.regulations.gov) under Docket No. FAA–2026–0018.

- You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 1100 Main, Kansas City, MO 64105. For information on the availability of this material at the FAA, call (817) 222–5110.

FOR FURTHER INFORMATION CONTACT:

Doug Rudolph, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (816) 329–4059; email: doug.rudolph@faa.gov.

SUPPLEMENTARY INFORMATION:

Comments Invited

The FAA invites you to send any written relevant data, views, or arguments about this proposal. Send your comments using a method listed under the **ADDRESSES** section. Include “Docket No. FAA–2026–0018; Project Identifier MCAI–2025–01384–A” at the beginning of your comments. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. The FAA will consider all comments received by the closing date and may again revise this proposal because of those comments.

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

substantive verbal contact received about this SNPRM.

Confidential Business Information

CBI is commercial or financial information that is both customarily and actually treated as private by its owner. Under the Freedom of Information Act (FOIA) (5 U.S.C. 552), CBI is exempt from public disclosure. If your comments responsive to this SNPRM contain commercial or financial information that is customarily treated as private, that you actually treat as private, and that is relevant or responsive to this SNPRM, it is important that you clearly designate the submitted comments as CBI. Please mark each page of your submission containing CBI as “PROPIN.” The FAA will treat such marked submissions as confidential under the FOIA, and they will not be placed in the public docket of this SNPRM. Submissions containing CBI should be sent to Doug Rudolph, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590. Any commentary that the FAA receives which is not specifically designated as CBI will be placed in the public docket for this rulemaking.

Background

The FAA issued an NPRM to amend 14 CFR part 39 by adding an AD that would have applied to certain Pilatus Model PC–12 airplanes. The NPRM was published in the **Federal Register** on January 21, 2026 (91 FR 2512). The NPRM was prompted by EASA AD 2025–0182, dated August 25, 2025 (EASA AD 2025–0182) (also referred to as the MCAI), issued by EASA, which is the Technical Agent for the Member States of the European Union, to correct an unsafe condition on certain Pilatus Model PC–12/47E airplanes. The MCAI states that there was a report that the emergency exit door could not be opened from inside an airplane. Further investigation revealed that incorrect installation of the passenger service unit (PSU) trim panel, which is installed above the emergency exit door, could block the opening of the emergency exit if the PSU trim panel is positioned too far inboard. This condition, if not addressed, could prevent the opening of the emergency door, which could result in injury to occupants during an emergency evacuation.

In the NPRM, the FAA proposed to require a visual inspection of the PSU trim panel for dual lock fastener tapes and modification if dual lock fastener tapes are not installed. The NPRM also proposed to prohibit the installation of affected parts.

You may examine the MCAI in the AD docket at [regulations.gov](https://www.regulations.gov) under Docket No. FAA–2026–0018.

Actions Since the NPRM Was Issued

Since the FAA issued the NPRM, the FAA has determined that the applicability of the NPRM referenced the incorrect airplane model. Therefore, this proposed AD revises the NPRM to correct the affected airplane from Model PC–12 to Model PC–12/47E. The FAA is proposing this AD to address the unsafe condition on these products.

Comments

The FAA received a comment from the Air Line Pilots Association, International. The commenter supported the NPRM without change.

Material Incorporated by Reference Under 1 CFR Part 51

The FAA reviewed EASA AD 2025–0182, which specifies procedures for modifying the PSU trim panel if dual lock fastener tapes are not installed. EASA AD 2025–0182 also prohibits the installation of an affected part. EASA AD 2025–0182 also refers to instructions to determine whether dual lock fastener tapes are installed on a PSU trim panel. This material is reasonably available because the interested parties have access to it through their normal course of business or by the means identified in the **ADDRESSES** section.

FAA’s Determination

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

Certain changes described above expand the scope of the NPRM. As a result, it is necessary to reopen the comment period to provide additional opportunity for the public to comment on this SNPRM.

Proposed AD Requirements in This SNPRM

This proposed AD would require accomplishing the actions specified in the material already described, except for any differences identified as exceptions in the regulatory text of this proposed AD. See “Differences Between this SNPRM and the MCAI” for a

discussion of the general differences included in this proposed AD.

Differences Between This SNPRM and the MCAI

Where paragraph (1) of EASA AD 2025–0182 does not specify an inspection to determine whether dual lock fastener tapes are installed on a PSU trim panel, for this proposed AD an inspection would be required in accordance with section B. Part 1 of the material referenced in EASA AD 2025–0182 to determine whether an airplane has the dual lock fastener tapes installed on a PSU trim panel and is either a Group 1 or Group 2 airplane as defined in EASA AD 2025–0182.

Explanation of Required Compliance Information

In the FAA’s ongoing efforts to improve the efficiency of the AD process, the FAA developed a process to use some civil aviation authority (CAA) ADs as the primary source of information for compliance with requirements for corresponding FAA ADs. The FAA has since coordinated with other manufacturers and CAAs to use this process. As a result, the FAA proposes to incorporate by reference EASA AD 2025–0182 in the FAA final rule. This proposed AD would, therefore, require compliance with EASA AD 2025–0182 in its entirety through that incorporation, except for any differences identified as exceptions in the regulatory text of this proposed AD. Using common terms that are the

same as the heading of a particular section in EASA AD 2025–0182 does not mean that operators need comply only with that section. For example, where the AD requirement refers to “all required actions and compliance times,” compliance with this AD requirement is not limited to the section titled “Required Action(s) and Compliance Time(s)” in EASA AD 2025–0182. Material required by EASA AD 2025–0182 for compliance will be available at regulations.gov under Docket No. FAA–2026–0018 after the FAA final rule is published.

Costs of Compliance

The FAA estimates that this AD, if adopted as proposed, would affect 276 airplanes of U.S. registry. The FAA estimates the following costs to comply with this proposed AD:

ESTIMATED COSTS

Action	Labor cost	Parts cost	Cost per product	Cost on U.S. operators
Inspect PSU trim panel	1 work-hour × \$85 per hour = \$85	\$0	\$85	\$23,460

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

results of the proposed inspection. The agency has no way of determining the

number of airplanes that might need this modification:

ON-CONDITION COSTS

Action	Labor cost	Parts cost	Cost per product
Modify PSU trim panel	2 work-hours × \$85 per hour = \$170	\$100	\$270

The FAA has included all known costs in its cost estimate. According to the manufacturer, however, some of the costs of this proposed AD may be covered under warranty, thereby reducing the cost impact on affected operators.

Authority for This Rulemaking

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

The FAA is issuing this rulemaking under the authority described in Subtitle VII, Part A, Subpart III, Section 44701: General requirements. Under that section, Congress charges the FAA with promoting safe flight of civil aircraft in air commerce by prescribing regulations for practices, methods, and procedures the Administrator finds

necessary for safety in air commerce. This regulation is within the scope of that authority because it addresses an unsafe condition that is likely to exist or develop on products identified in this rulemaking action.

Regulatory Findings

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

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

- (1) Is not a “significant regulatory action” under Executive Order 12866,
- (2) Would not affect intrastate aviation in Alaska, and
- (3) Would not have a significant economic impact, positive or negative,

on a substantial number of small entities under the criteria of the Regulatory Flexibility Act.

List of Subjects in 14 CFR part 39

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

The Proposed Amendment

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

PART 39—AIRWORTHINESS DIRECTIVES

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

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

§ 39.13 [Amended]

- 2. The FAA amends § 39.13 by adding the following new airworthiness directive:

Pilatus Aircraft Ltd.: Docket No. FAA–2026–0018; Project Identifier MCAI–2025–01384–A.

(a) Comments Due Date

The FAA must receive comments on this airworthiness directive (AD) by June 29, 2026.

(b) Affected ADs

None.

(c) Applicability

This AD applies to Pilatus Aircraft Ltd. Model PC–12/47E airplanes, manufacturer serial numbers 2001 through 2999, certificated in any category.

(d) Subject

Joint Aircraft System Component (JASC) Code 2500, Cabin Equipment/Furnishings.

(e) Unsafe Condition

This AD was prompted by a report that the emergency exit door could not be opened from inside an airplane. The FAA is issuing this AD to prevent the passenger service unit (PSU) trim panel from blocking the opening of the emergency exit. The unsafe condition, if not addressed, could prevent the opening of the emergency door, which could result in injury to occupants during an emergency evacuation.

(f) Compliance

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

(g) Required Actions

Except as specified in paragraphs (h) and (i) of this AD: Comply with all required actions and compliance times specified in, and in accordance with, European Union Aviation Safety Agency (EASA) AD 2025–0182, dated August 25, 2025 (EASA AD 2025–0182).

(h) Exceptions to EASA AD 2025–0182

(1) Where EASA AD 2025–0182 refers to its effective date, this AD requires using the effective date of this AD.

(2) Where paragraph (1) of EASA AD 2025–0182 does not specify an inspection to determine whether dual lock fastener tapes are installed on a PSU trim panel, for this AD an inspection is required in accordance with section B. Part 1 of the material referenced in EASA AD 2025–0182 to determine whether an airplane has the dual lock fastener tapes installed on a PSU trim panel and is either a Group 1 or Group 2 airplane as defined in EASA AD 2025–0182.

(3) This AD does not adopt the “Remarks” section of EASA AD 2025–0182.

(i) No Reporting Requirement

Although the material referenced in EASA AD 2025–0182 specifies to submit certain information to the manufacturer, this AD does not include that requirement.

(j) Alternative Methods of Compliance (AMOCs)

(1) The Manager, International Validation Branch, FAA, has the authority to approve AMOCs for this AD, if requested using the

procedures found in 14 CFR 39.19. In accordance with 14 CFR 39.19, send your request to your principal inspector or local Flight Standards District Office, as appropriate. If sending information directly to the International Validation Branch, send it to the attention of the person identified in paragraph (k) of this AD and email to: AMOC@faa.gov.

(2) Before using any approved AMOC, notify your appropriate principal inspector, or lacking a principal inspector, the manager of the responsible Flight Standards Office/certificate holding district office.

(k) Additional Information

For more information about this AD, contact Doug Rudolph, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; phone: (816) 329–4059; email: doug.rudolph@faa.gov.

(l) Material Incorporated by Reference

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

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

(i) European Union Aviation Safety Agency (EASA) AD 2025–0182, dated August 25, 2025.

(ii) [Reserved]

(3) For EASA material identified in this AD, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; phone: +49 221 8999 000; email: ADs@easa.europa.eu; website: easa.europa.eu. You may find this EASA AD on the EASA website at ad.easa.europa.eu.

(4) You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 1100 Main, Kansas City, MO 64105. For information on the availability of this material at the FAA, call (817) 222–5110.

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

Issued on May 12, 2026.

Paul R. Bernado,

Acting Director, Compliance & Airworthiness Division, Aircraft Certification Service.

[FR Doc. 2026–09771 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–13–P

DEPARTMENT OF HOMELAND SECURITY

Coast Guard

33 CFR Part 100

[Docket Number USCG–2026–0548]

RIN 1625–AA08

Special Local Regulation; Marine Events Within the USCG East District

AGENCY: Coast Guard, Department of Homeland Security.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Coast Guard is proposing to amend its special local regulations (SLR) for marine events within the USCG East District by adding SLRs for three recurring events located in the Virginia Captain of the Port Zone. This Notice of Proposed Rule Making (NPRM) would provide for the safety of life on the navigable waters of the York River, the East River, and the Elizabeth River Western Branch during high speed boat races which are typically held on each of those rivers annually. We invite your comments on this proposed rulemaking.

DATES: Comments and related material must be received by the Coast Guard on or before May 20, 2026.

ADDRESSES: To submit comments and view available documents, go to <https://www.regulations.gov> and search for USCG–2026–0548.

FOR FURTHER INFORMATION CONTACT: If you have questions about this proposed rule, contact LCDR Justin Z. Strassfield, Sector Virginia Waterways Management Division, U.S. Coast Guard; by phone, at (206) 815–7367, or by email, at VirginiaWaterways@uscg.mil.

SUPPLEMENTARY INFORMATION:

I. Table of Abbreviations

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

II. Background and Authority

Coast Guard regulations define “regatta or marine parade” as an organized water event of limited duration which is conducted according to a prearranged schedule. 33 CFR 100.05(a). And, as explained in 33 CFR 100.15, Coast Guard requires that an organization planning to hold a regatta or marine event apply for a permit if the event, by its nature, circumstances, or location, will introduce extra or unusual hazards to the safety of life on the navigable waters of the United States. These permits may be approved by the Coast Guard, or by the state in which the event is to take place, if there is a Coast Guard-State agreement in place. See 33 CFR 100.10. Upon the approval of an application, the Captain of the Port, Sector Virginia (COTP) may promulgate such “Special Local Regulations” (SLR’s) as he or she deems necessary to ensure safety of life on the navigable waters immediately prior to,

during, and immediately after the event. See 33 CFR 100.35(a).

Within the USCG East District, the Coast Guard has compiled many recurring SLRs in one regulation, 33 CFR 100.501. Within § 100.501, these SLRs are arranged in tables, organized by Captain of the Port Zone. We are now proposing to add three recurring marine events to the table for the Virginia Captain of the Port Zone. General provisions of § 100.501, such as definitions, controls on vessel movement, and Coast Guard contact information would apply to these SLRs. In past years, we had promulgated temporary final rules to address particular instances of one of these events. As we anticipate that these events will continue to occur annually for the foreseeable future, we are proposing a permanent SLR for each of the events.

The three events each involve high speed boat races. East River Fest is located on the East River at the Williams Wharf in Mathews, VA. The event is a boat docking contest sponsored by the Mathews Volunteer Fire Department. Multiple commercial workboats will compete to be the fastest boat to moor at designated boat slips at the Williams Wharf. Power Boats at the Park is located on the Elizabeth River Western Branch near Portsmouth City Park in Portsmouth, VA. The event is a high speed boat race sponsored by the Portsmouth Power Boat Association. Multiple vintage and historic recreational vessels will perform on a designated course, sometimes at a high rate of speed. Yorktown Battle of the Boats is located on the York River in the vicinity of the Coleman Bridge in Yorktown, VA. The event is a high speed boat race and a boat docking contest sponsored by the County of York. Multiple deadrise fishing boats will race on a predetermined race course as well as compete to be the fastest boat to moor up to mooring pilings at the Yorktown waterfront piers.

The COTP has determined that hazards associated with these events include personal injury and property damage which could result from collisions between vessels participating in the event, spectator vessels, and other non-participant vessels, such as transiting vessels. To mitigate against

the risk that these hazards might occur, and under the authority of 46 U.S.C. 70041, the COTP is proposing to issue these SLRs.

III. Discussion of the Proposed Rule

The first proposed SLR would establish a regulated area which would be subject to enforcement on one Saturday in June or July of each year. This year, it would be subject to enforcement June 20, 2026, from 11 a.m. until 6 p.m. The SLR would be located on the East River and would encompass a small portion of the waterway around Williams Wharf in Mathews, VA.

The second proposed SLR would establish a regulated area which would be subject to enforcement on the second or third Saturday and Sunday of August of each year, beginning August 15–16, 2026, from 8 a.m. until 4 p.m. each day. The SLR would encompass the racing area located within a portion of the waters of the Elizabeth River Western Branch in Portsmouth, VA.

The third proposed SLR would establish a regulated area on the first Saturday and Sunday in June of each year, beginning June 6–7, 2026, from 11 a.m. until 6 p.m. each day. The event includes two regulated areas on the York River. The first regulated area would encompass a portion of the waters of the York River in the vicinity of the Coleman Bridge in Yorktown, VA on Saturday for a high speed boat race. The second regulated area would encompass a portion of the waters of the York River within the docking basin between the two Yorktown Waterfront Piers in Yorktown, VA on Sunday for a boat docking contest.

As the dates and times of the events are subject to change, the dates and times that the proposed SLRs would be subject to enforcement would also be subject to change, in accordance with existing regulatory text found in 33 CFR 100.501(g) and in the footnote to Table 1 to paragraph (i)(3) of § 100.501. In the event of a change, and where we have not provided for a specific date or dates, the Captain of the Port will provide notice to the public by publishing a Notification of Enforcement in the **Federal Register**, as well as, issuing a Broadcast Notice to Mariners. The footnote is provided beneath the table twice and we are also proposing to remove one of those duplicative footnotes.

The duration of the SLRs is intended to ensure the safety of vessels and these navigable waters before, during, and after each scheduled marine event. No vessel or person would be permitted to enter the special local regulation without obtaining permission from the COTP or a designated representative. The regulatory text we are proposing appears at the end of this document.

IV. Regulatory Analyses

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

A. Impact on Small Entities

The Regulatory Flexibility Act of 1980, 5 U.S.C. 601–612, as amended, requires Federal agencies to consider the potential impact of regulations on small entities during rulemaking. The term “small entities” comprises small businesses, not-for-profit organizations that are independently owned and operated and are not dominant in their fields, and governmental jurisdictions with populations of less than 50,000. The Coast Guard certifies under 5 U.S.C. 605(b) that this proposed rule would not have a significant economic impact on a substantial number of small entities for the following reasons.

Vessel traffic would be able to safely transit around the regulated areas which would be subject to the rules. This regulation would only impact a small area for a few hours. The enforcement periods would occur during times when vessel traffic is normally low. In addition, the Coast Guard will issue a Broadcast Notice to Mariners via VHF FM marine channel 16, which will allow small entities to adjust their transit plans, and the rule allows vessels to request permission to enter the regulated area from the COTP.

If you think that your business, organization, or governmental jurisdiction qualifies as a small entity and that this proposed rule would have a significant economic impact on it, please submit a comment (see **ADDRESSES**) explaining why you think it qualifies and how and to what degree this proposed rule would economically affect it.

Under section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121), if this proposed rule will affect your small business, organization, or governmental jurisdiction and you have questions, contact the person listed in the **FOR FURTHER INFORMATION CONTACT** section. Small businesses may send comments to the Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards by calling 1–888–REG–FAIR (1–888–734–3247).

B. Collection of Information

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

C. Federalism and Indian Tribal Governments

We have analyzed this proposed rule under Executive Order 13132, Federalism, and have determined that it is consistent with the fundamental federalism principles and preemption requirements described in that Order.

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

D. Unfunded Mandates Reform Act

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

E. Environment

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

This proposed rule is a special regulated area. It is categorically excluded from further review under paragraph L61.

V. Public Participation and Request for Comments

We view public participation as essential to effective rulemaking and will consider all comments and material received during the comment period. Your comment can help shape the outcome of this rulemaking. If you submit a comment, please include the docket number for this rulemaking, indicate the specific section of this document to which each comment applies, and provide a reason for each suggestion or recommendation.

Submitting comments. We encourage you to submit comments at <https://www.regulations.gov>. To do so, go to <https://www.regulations.gov>, type USCG–2026–0548 in the search box and click “Search.” Next, look for this document in the Search Results column, and click on it. Then click on the Comment option. If you cannot submit your material by using <https://www.regulations.gov>, call or email the person in the **FOR FURTHER INFORMATION CONTACT** section of this proposed rule for alternate instructions.

Viewing material in the docket. To view available documents, find the docket as described in the previous paragraph, and then select “Supporting & Related Material” in the Document

Type column. We will post public comments in our online docket. Additional information is on the <https://www.regulations.gov> Frequently Asked Questions web page.

Personal information. We accept anonymous comments. Comments we post to <https://www.regulations.gov> will include any personal information you have provided in the body of the docket submission. Contact information (such as email or mailing address), however, will not be available for public viewing unless the submitter includes that information in the body of the docket submission. For more about privacy and submissions to the docket in response to this document, see DHS’s eRulemaking System of Records notice (85 FR 14226, March 11, 2020).

List of Subjects in 33 CFR Part 100

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

For the reasons discussed in the preamble, the Coast Guard is proposing to amend 33 CFR part 100 as follows:

PART 100—SAFETY OF LIFE ON NAVIGABLE WATERS

■ 1. The authority citation for part 100 continues to read as follows:

Authority: 46 U.S.C. 70041; 33 CFR 1.05–1.

■ 2. In § 100.501, amend table 3 to paragraph (i)(3) by removing the duplicate footnote 1 located beneath the table.

■ 3. In § 100.501, amend table 3 to paragraph (i)(3) by adding entries for “East River Fest,” “Power Boats at the Park,” and “Yorktown Battle of the Boats,” in alphabetical order to read as follows:

§ 100.501 Special Local Regulation; Marine Events Within the USCG East District

* * * * *

(3) Coast Guard Sector Virginia—COTP Zone

TABLE 3 TO PARAGRAPH (i)(3)

East River Fest	All navigable waters of the East River within the following latitude and longitude points: 37°24'12.0" N, 076°20'48.4" W; 37°24'12.0" N, 076°20'52.0" W; 37°24'13.0" N, 076°20'52.0" W; 37°24'13.1" N, 076°20'48.6" W, located near Williams Wharf in Matthews, VA.	June or July—One Saturday.	Mathews Vol. Fire Dept.
Power Boats at the Park.	All navigable waters of the Elizabeth River Western Branch within the following latitude and longitude points: 36°50'15.0" N, 076°22'32.0" W; 36°50'12.0" N, 076°22'34.0" W; 36°50'06.06" N, 076°22'30.0" W; 36°50'03.0" N, 076°21'56.0" W; 36°50'09.0" N, 076°21'52.0" W; 36°50'12.0" N, 076°21'54.0" W.	August—second or third Saturday and Sunday.	Portsmouth Power Boat Association.

TABLE 3 TO PARAGRAPH (i)(3)—Continued

Yorktown Battle of the Boats.	The event includes two regulated areas on the York River. The first regulated area will encompass all navigable waters of the York River within the following latitude and longitude positions: 37°14'21.6" N, 76°30'27.2" W; 37°14'23.5" N, 76°30'25.6" W; 37°14'10.4" N, 76°30'11.2" W; 37°14'13.3" N, 76°30'08.0" W on Saturday for a high speed boat race. The second regulated area will encompass all navigable waters of the York River within the docking basin between the two Yorktown Waterfront piers bound by the following latitude and longitude positions: 37°14'22.4" N, 076°30'29.0" W; 37°14'19.4" N, 076°30'24.4" W; 37°14'18.1" N, 076°30'27.3" W; 37°14'21.0" N, 076°30'30.1" W on Sunday for a boat docking contest.	June—first Saturday and Sunday.	County of York.

Peggy M. Britton,

Captain, U.S. Coast Guard, Captain of the Port, Sector Virginia.

[FR Doc. 2026–09765 Filed 5–14–26; 8:45 am]

BILLING CODE 9110–04–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 1 and 2

[ET Docket No. 24–136; FCC 26–28; FR ID 345588]

Promoting the Integrity and Security of Telecommunications Certification Bodies, Measurement Facilities, and the Equipment Authorization Program

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: The Federal Communications Commission (Commission or FCC) issues a Second Further Notice of Proposed Rulemaking proposing to cease recognition of test labs, Testing Certification Bodies (TCBs), and laboratory accreditation bodies in non-MRA or trade agreement participants (*i.e.*, non-Reciprocal Territories). The Commission also seeks comment on modernizing data analytics capabilities, and explores additional measures to protect intellectual property and national security.

DATES: Comments are due on or before June 15, 2026 and reply comments are due on or before July 14, 2026.

ADDRESSES: Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated in the **DATES** section above. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS). You may submit comments, identified by ET Docket No. 24–136, by any of the following methods:

- **Electronic Filers:** Comments may be filed electronically using the internet by accessing the ECFS: <https://www.fcc.gov/ecfs>.

- **Paper Filers:** Parties who choose to file by paper must file an original and one copy of each filing.

- Filings can be sent by hand or messenger delivery, by commercial courier, or by the U.S. Postal Service. *All filings must be addressed to the Secretary, Federal Communications Commission.*

- Hand-delivered or messenger-delivered paper filings for the Commission's Secretary are accepted between 8:00 a.m. and 4:00 p.m. by the FCC's mailing contractor at 9050 Junction Drive, Annapolis Junction, MD 20701. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.

- Commercial courier deliveries (any deliveries not by the U.S. Postal Service) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.

- Filings sent by U.S. Postal Service First-Class Mail, Priority Mail, and Priority Mail Express must be sent to 45 L Street NE, Washington, DC 20554.

- **People With Disabilities:** To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an email to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202–418–0530.

FOR FURTHER INFORMATION CONTACT:

Katherine Nevitt of the Office of Engineering and Technology, at 301–317–0062 or katherine.nevitt@fcc.gov.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's *Second Further Notice of Proposed Rulemaking*, in ET Docket No. 24–136, FCC 26–28, adopted on April 30, 2026, and released on May 1, 2026. The full text of this document is available for public inspection and can be downloaded at <https://docs.fcc.gov/public/attachments/FCC-26-28A1.pdf>.

Alternative formats are available for people with disabilities (Braille, large print, electronic files, audio format) by sending an email to fcc504@fcc.gov or calling the Commission's Consumer and Governmental Affairs Bureau at (202) 418–0530 (voice).

Ex Parte Presentations. The proceeding this document initiates shall be treated as a “permit-but-disclose” proceeding in accordance with the Commission's *ex parte* rules. Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (*e.g.*, .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

Regulatory Flexibility Act. The Regulatory Flexibility Act of 1980, as amended (RFA) requires that an agency

prepare a regulatory flexibility analysis for notice and comment rulemakings, unless the agency certifies that “the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities.” Accordingly, the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) concerning the possible/potential impact of rule and policy proposals on small entities in the FCC document. The IRFA is found in Appendix D of the *Second Further Notice of Proposed Rulemaking*. The Commission invites the general public, particularly small businesses, to comment on the IRFA. Comments must be filed by the deadlines for comments on the *Second Further Notice of Proposed Rulemaking* indicated on the first page of this document and must have a separate and distinct heading designating them as responses to the IRFA.

Paperwork Reduction Act. This document contains proposed new or modified information collection requirements subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104–13. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget (OMB) to comment on any information collection requirements contained in this document. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107–198, *see* 44 U.S.C. 3506(c)(4), the Commission seeks specific comment on how it might “further reduce the information collection burden for small business concerns with fewer than 25 employees.”

Accessing Materials

Providing Accountability Through Transparency Act: Consistent with the Providing Accountability Through Transparency Act, Public Law 118–9, a summary of the Notice of Proposed Rulemaking will be available at <https://www.fcc.gov/proposed-rulemakings>.

OPEN Government Data Act. The OPEN Government Data Act requires agencies to make “public data assets” available under an open license and as “open Government data assets,” *i.e.*, in machine-readable, open format, unencumbered by use restrictions other than intellectual property rights, and based on an open standard that is maintained by a standards organization. This requirement is to be implemented “in accordance with guidance by the Director” of the OMB. The term “public data asset” means “a data asset, or part thereof, maintained by the Federal Government that has been, or may be,

released to the public, including any data asset, or part thereof, subject to disclosure under [the Freedom of Information Act (FOIA)].” A “data asset” is “a collection of data elements or data sets that may be grouped together,” and “data” is “recorded information, regardless of form or the media on which the data is recorded.”

Synopsis

In this document, the Commission issues a *Second Further Notice of Proposed Rulemaking* that seeks comment on ceasing recognition of test labs, TCBs, and laboratory accreditation bodies in non-Reciprocal FTA Economies, modernizing data analytics capabilities, and explore additional measures to protect intellectual property and national security.

A. Requiring Test Labs, TCBs, and Laboratory Accreditation Bodies Be Based in the U.S. or MRA Countries

In the *First EA Integrity R&O*, 90 FR 38045 (August 7, 2025), the Commission decided to defer taking any action to no longer recognize “test labs in non-MRA countries.” The Commission reasoned that its rules around foreign adversary ownership, control, and direction “mitigate[d] the potential for national security threats arising from test labs in foreign countries.” However, the Commission also noted that it “intend[ed] to revisit this decision” after reviewing the information received from test labs, further consultation with federal partners and others, and after conducting further consideration.

In the *First EA Integrity FNPRM*, 90 FR 31945 (July 16, 2025), the Commission broadened its focus beyond core risks from foreign adversaries—seeking comment on “ways in which the Commission can facilitate and encourage more equipment authorization testing and certification within the United States” and MRA countries. To achieve this objective, a number of commenters proposed prohibiting the recognition of test labs, TCBs, and/or laboratory accreditation bodies in non-MRA countries, or related proposals. For example, the Hudson Institute called on the FCC to “revisit its decision in the First Report & Order to reject an MRA/non-MRA distinction for the location of test labs, TCBs, and laboratory accreditation bodies.” RF Safety Laboratory advocated for the closely related idea of withholding “FCC recognition from foreign test laboratories located in countries that require in-country testing for market access.” Commenters emphasized not just national security, but also the importance of the reciprocity

commitments that MRAs provide, without which U.S. testing and certification capacity is undermined and even “hollow[ed] out.”

Therefore, based in part on these comments, the Commission reopens the record on whether the FCC should adopt rules that would prohibit the recognition of test labs, TCBs, or laboratory accreditation bodies that are located in, or that conduct testing, certification, or accreditation in, countries that lack an MRA or trade agreements that provides for reciprocity with the U.S. (non-Reciprocal Economies) and withdraw recognition of those test labs, TCBs, and laboratory accreditation bodies already recognized. Should such a prohibition also extend to any test lab, TCB, or laboratory accreditation body directly or indirectly owned by, controlled by, or subject to the jurisdiction or direction of a non-Reciprocal Economy? The FCC seeks comment on whether this would promote the trustworthiness and integrity of the FCC’s equipment authorization process. Would such a policy play an important role in promoting national security, reciprocity in international commerce in RF devices, and/or promoting the American and Reciprocal Economy test lab, TCB, and laboratory accreditation body industry?

Are there other reasons that the Commission should or should not adopt these rules or any refinement of these proposed rules the Commission should consider? The Commission notes that its rules already effectively prohibit TCBs from operating in foreign countries that lack an MRA with the United States and that, while OET has recognized hundreds of test labs based in non-MRA countries, the Commission’s rules are ambiguous on the permissibility of this recognition. The Commission notes that prior action in 2014 provided a process for recognition of accredited test labs in countries with which there is no operational MRA with the United States; prior to that 2014 action, test labs from non-MRA countries had not been recognized. The Commission seeks comment on how it should clarify or modify its rules to address recognition of test labs from non-Reciprocal Economies. What would be the consequences of such a proposal? If the Commission adopted this proposal, should the Commission have a delayed implementation to facilitate industry’s adjustment to the new rules? If so, how long should such a delay last? One year? Longer? Shorter? Should the Commission additionally, or instead, phase out test labs, TCBs, and laboratory accreditation bodies in non-Reciprocal

Economies as they come up for renewed recognition? Would this be a better way to handle a transition period to phase out non-Reciprocal Economies test labs than withdrawing recognition from all labs on a certain date? The Commission welcomes all comments on this proposal. If the Commission adopts this proposal, the Commission proposes to delegate to OET to publish a list of Reciprocal Economies to which this rule applies and update the list as necessary.

The Commission seeks comment on whether alternative measures could be adopted to address the continued use of non-Reciprocal Economy test laboratories in the equipment authorization process prior to the implementation of the ultimate prohibition. Specifically, if the Commission were to determine that ultimately prohibiting reliance on non-Reciprocal Economy test labs were in the public interest, are there alternative approaches that the Commission could take prior to prohibition so as to mitigate the costs of transitioning to testing with United States or Reciprocal Economy test labs? For example, should the Commission add an additional fee corresponding with authorizing equipment that is tested in non-Reciprocal Economy test labs? If the Commission adopted such a fee what would be the appropriate amount? For example, should this fee be \$20,000? More? Less? Should this fee increase over time and should the Commission specify the fee schedule in advance? Should this fee be further tiered based on application type, equipment classes, grantee entity type based on annual sales, or scaled according to other factors? Alternatively, should the Commission require a more rigorous equipment authorization process for applicants that rely on non-Reciprocal Economy, which could, for instance, involve additional post-market surveillance or auditing? Could the funds from the proposed additional fee be earmarked for enhanced post-market surveillance or auditing? Could the funds from the proposed additional fee be earmarked for training hardware engineers, technicians, and other skilled labor to support U.S.-based testing?

Are there other mechanisms that could incentivize stakeholders to transition away from non-Reciprocal Economy test labs prior to the imposition of an outright prohibition? For example, should the Commission implement an additional waiting period for equipment tested by non-Reciprocal Economy test labs to allow time for additional scrutiny? Is any one of the alternatives more cost-effective than others? Finally, the Commission seeks

comment on the potential costs and benefits of these approaches—including a permit fee structure, and/or a prolonged review process, as opposed to an outright prohibition—and invite stakeholders to provide quantitative or qualitative estimates of the impacts on industry, consumers, and Commission resources.

The Commission also seeks comment on what specific protections should be given to intellectual property during the equipment authorization process, including during the testing and certification stages. What contractual, technical and procedural safeguards are necessary to protect intellectual property? How effective are the Commission's rules and the ISO/IEC 17025 requirements at preventing IP theft? Do MRAs or other reciprocal trade agreements (FTAs and ARTs) meaningfully reduce the risk of IP theft? Should safeguards differ between Reciprocal and non-Reciprocal Economies? Is IP theft in non-Reciprocal Economies a significant enough risk that non-Reciprocal Economies test labs should be prohibited? Are there differences in the IP protections available under different legal regimes? What other options should the Commission consider to address this issue? What are the costs and benefits of those solutions?

B. Other FNPRM Proposals (Not Adopted)

Expanding *Equipment Authorization Program Prohibitions* (*EA Integrity FNPRM* at paras. 128–142): At this time, the Commission is not adopting further MRA vs non-MRA restrictions discussed in the *EA Integrity FNPRM* at para. 128, such as Other Entities Potentially Controlled by a Foreign Adversary. Likewise, the Commission is not adopting revisions to the definition of “foreign adversary” listed under the *EA Integrity FNPRM* at para. 135. At this time, the Commission is not adopting any changes to other federal agency lists to consider in the definition of “prohibited entity” listed in the *FNPRM* at para. 140. The Commission keeps the record open on these points.

Other Matters—TCB and Test Lab relationships (*EA Integrity FNPRM* at para. 146): At this time, the Commission will not be adopting the proposal to “restrict the relationships between TCBs and test labs to prevent TCBs from reviewing authorization applications for which the equipment was tested by a test lab owned by, or under the direction or control of the same entities that own, direct, or control the TCB,” as presented in the *EA Integrity FNPRM* at

para. 146. The Commission keeps the record open on these points.

Other Matters—Supplier's Declaration of Conformity Procedures (*EA Integrity FNPRM* at para. 147): At this time, the Commission is not adopting requirement for SDoCs to be tested at accredited test labs. The Commission keeps the record open on these points.

This document seeks further comment on adopting any other measures not adopted in the above portion of this document to expand and streamline testing and certification in United States and allied countries based on other comments the Commission received.

C. Data Analytics Capability and Need for Modern EAS Database

On July 12, 2024, IPVM submitted a comment in this proceeding suggesting that investigating evasions of the FCC equipment authorization requires modernized FCC equipment authorization databases. The Commission seeks comment on this suggestion. What features would be helpful in the Commission's effort to modernize the EAS system, both to support the FCC's enforcement priorities while also streamlining and alleviating administrative burden on the Commission's TCB partners and other participants in the equipment authorization process? What, if any, changes to the information collection would be helpful, and what portions of the process can be streamlined or done in a more parallel fashion? How can the Commission better share information and other data so that TCBs reviewing equipment authorizations applications for prohibited entities can do so more effectively and efficiently? The Commission welcomes all comments and proposals.

Ordering Clauses

It is ordered, pursuant to the authority found in sections 1, 4(i), 229, 301, 302, 303, 309, 312, 403, and 503 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154(i), 229, 301, 302a, 303, 309, 312, 403, and 503, section 105 of the Communications Assistance for Law Enforcement Act, 47 U.S.C. 1004; the Secure and Trusted Communications Networks Act of 2019, 47 U.S.C. 1601 1609; and the Secure Equipment Act of 2021, Public Law 117 55, 135 Stat. 423, 47 U.S.C. 1601 note, that this Second Further Notice of Proposed Rulemaking *is hereby adopted*.

It is ordered that the Commission's Office of the Secretary, *shall send* a copy of this Second Further Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analyses,

to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy.

It is ordered that the Office of the Managing Director, Performance Program Management, *shall send* a copy of the Second Further Notice of Proposed Rulemaking in a report to be sent to Congress and the Government Accountability Office pursuant to the Congressional Review Act, 5 U.S.C. 801(a)(1)(A).

List of Subjects in 47 CFR Parts 1 and 2

Administrative practice and procedures, Communications, Communications equipment, Reporting and recordkeeping requirements, Telecommunications.

Federal Communications Commission.

Aleta Bowers,

Federal Register Liaison Officer, Office of the Secretary.

Proposed Rules

For the reasons discussed in the preamble, the Federal Communications Commission proposes to amend 47 CFR parts 1 and 2 as follows:

PART 1—PRACTICE AND PROCEDURE

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

Authority: 47 U.S.C. chs. 2, 5, 9, 13; 28 U.S.C. 2461 note; 47 U.S.C. 1754, unless otherwise noted.

- 2. Revise § 1.103 to read as follows:

§ 1.1103 Schedule of charges for equipment approval, experimental radio services (or service).

TABLE 1 TO § 1.1103

Type of application	PMT type code	Fee amount
Assignment of Grantee Code.	EAG	\$35.00
New Station Authorization.	EAE	140.00
Modification of Authorization.	EAE	140.00
Renewal of Station Authorization.	EAE	140.00
Assignment of License or Transfer of Control.	EAE	140.00
Special Temporary Authority.	EAE	140.00
Confidentiality Request.	EAD	50.00
Device Testing in Non-MRA Country.	[TBD]	20,000.00

PART 2—FREQUENCY ALLOCATIONS AND RADIO TREATY MATTERS; GENERAL RULES AND REGULATIONS

- 3. The authority citation for part 2 continues to read as follows:

Authority: 47 U.S.C. 154, 302a, 303, and 336, unless otherwise noted.

- 4. Amend § 2.941 by adding paragraph (c) to read as follows:

§ 2.941 Availability of Information relating to grants.

* * * * *

(c) Equipment authorization will be made available and searchable in machine-readable format to the extent possible.

* * * * *

- 5. Amend § 2.949 by adding paragraphs (c)(4) and (e)(4) to read as follows:

§ 2.949 Recognition of laboratory accreditation bodies.

* * * * *

(c) * * *

(4) Is located in or conducts accreditation in countries that lack a relevant Mutual Recognition Agreement or trade agreement that provides for reciprocity with the U.S.

* * * * *

(e) * * *

(4) Is located in or conducts accreditation from within countries that lack a relevant Mutual Recognition Agreement or trade agreement that provides for reciprocity with the U.S.

* * * * *

- 6. Amend § 2.951 by adding paragraphs (b)(4) and (d)(4) to read as follows:

§ 2.951 Recognition of measurement facilities.

* * * * *

(b) * * *

(4) Is located in or that conducts testing from within a country that lacks an MRA or trade agreement that provides for reciprocity with the U.S.

* * * * *

(d) * * *

(4) Is located in or that conducts testing from within a country that lacks an MRA or trade agreement that provides for reciprocity with the U.S.

* * * * *

- 7. Amend § 2.960 by adding paragraphs (b)(4) and (h)(4) to read as follows:

§ 2.960 Recognition of Telecommunications Certification Bodies (TCBs)

* * * * *

(b) * * *

(4) Is located in or that conducts certification from within a country that

lacks an MRA or trade agreement that provides for reciprocity with the U.S.

* * * * *

(h) * * *

(4) Is located in or that conducts certification from within a country that lacks an MRA or trade agreement that provides for reciprocity with the U.S.

* * * * *

[FR Doc. 2026–09821 Filed 5–14–26; 8:45 am]

BILLING CODE 6712–01–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 1 and 73

[AU Docket No. 26–105; DA 26–444; FR ID 346335]

Auction of FM Broadcast Construction Permits Scheduled for February 2, 2027; Comment Sought on Competitive Bidding Procedures for Auction 114

AGENCY: Federal Communications Commission.

ACTION: Proposed rule; proposed auction procedures.

SUMMARY: In this document, the Federal Communications Commission (the Commission or FCC) announces an auction of certain FM broadcast construction permits. The Office of Economics and Analytics (OEA) and the Media Bureau (MB) seek comment on minimum opening bid amounts and the procedures to be used for this auction, which is designated as Auction 114.

DATES: Comments are due on or before June 9, 2026, and reply comments are due on or before June 24, 2026.

ADDRESSES: Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated in the **DATES** section of this document. Commenters are requested to also submit a copy of their comments and reply comments electronically to the following address: auction114@fcc.gov. You may submit comments, identified by, identified by AU Docket No. 26–105, by any of the following methods:

- **Electronic Filers:** Comments may be filed electronically using the internet by accessing the Commission's Electronic Comment Filing System (ECFS) at <https://www.fcc.gov/ecfs/>.

- **Paper Filers:** Parties who choose to file by paper must file an original and one copy of each filing.

- Filings may be sent by hand or messenger delivery, by commercial courier, or by the U.S. Postal Service mail. *All filings must be addressed to*

the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

- Hand-delivered or messenger-delivered paper filings for the Commission's Secretary are accepted between 8 a.m. and 4 p.m. by the FCC's mailing contractor at 9050 Junction Drive, Annapolis Junction, MD 20701. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.

- Commercial courier mail (any not sent by the U.S. Postal Service) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.

- Filings sent by U.S. Postal Service First-Class Mail, Express, and Priority mail must be sent to 45 L Street NE, Washington, DC 20554.

- *People With Disabilities:* To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an email to fcc504@fcc.gov or call the Consumer and Governmental Affairs Bureau at (202) 418–0530.

FOR FURTHER INFORMATION CONTACT:

Auction legal questions: Lyndsey Grunewald, (202) 418–0660, Lyndsey.Grunewald@fcc.gov. *General auction questions:* Auctions Hotline at (717) 338–2868 or auction114@fcc.gov. *FM service questions:* James Bradshaw, (202) 418–2700, James.Bradshaw@fcc.gov; Rodolfo Bonacci, (202) 418–2700, Rodolfo.Bonacci@fcc.gov; Lisa Scanlan, (202) 418–2700, Lisa.Scanlan@fcc.gov; or Ariane Rangel, (202) 418–2700, Ariane.Rangel@fcc.gov.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's document (*Auction 114 Comment Public Notice*), in AU Docket No. 26–105, DA 26–444, released on May 11, 2026. The *Auction 114 Comment Public Notice* includes the following attachment: Attachment A, Construction Permits in Auction 114. The complete text of this document, including its attachment, is available on the Commission's website at www.fcc.gov/auction/114 or by using the search function for AU Docket No. 26–105 on the Commission's ECFS web page at www.fcc.gov/ecfs.

Paperwork Reduction Act of 1995 Analysis. The *Auction 114 Comment Public Notice* seeks comment on proposed requirements that may result in new or modified information collection requirements. The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public and the Office of Management and Budget to comment on the information collection

requirements contained in this document, as required by the Paperwork Reduction Act of 1995. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, specific comment is sought on how the Commission might further reduce the information collection burden for small business concerns with fewer than 25 employees.

Providing Accountability Through Transparency Act. The Providing Accountability Through Transparency Act, Pub. L. 118–9, requires each agency, in providing notice of a rulemaking, to post online a brief plain-language summary of the proposed rule. The required summary of the *Auction 114 Comment Public Notice* is available at <https://www.fcc.gov/proposed-rulemakings>.

Ex Parte Requirements. This proceeding has been designated as a “permit-but-disclose” proceeding in accordance with the Commission's *ex parte* rules. Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentations must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda, or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to the Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with 47 CFR 1.1206(b). In proceedings governed by 47 CFR 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the ECFS available for that proceeding, and must be filed in their native format (e.g., .doc, .xml, .ppt, searchable .pdf). Participants

in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

Synopsis

I. Introduction

1. In the *Auction 114 Comment Public Notice*, the Office of Economics and Analytics (OEA) and the Media Bureau (MB) seek comment on the procedures to be used for an auction of construction permits for full power FM broadcast stations, which they designate as Auction 114. The bidding for Auction 114 is tentatively scheduled to commence on February 2, 2027.

II. Construction Permits To Be Offered in Auction 114

2. Auction 114 will offer 132 construction permits in the FM broadcast service, including 33 construction permits that were offered but not sold or were defaulted upon in prior auctions. Attachment A to the *Auction 114 Comment Public Notice* lists the specific vacant FM allotments for which the Commission will offer construction permits in this auction, along with the reference coordinates for each vacant FM allotment. The construction permits to be auctioned are for FM channels added to the Table of FM Allotments, 47 CFR 73.202(b), pursuant to the Commission's established rulemaking procedures, and assigned at the indicated communities.

III. Implementation of Part 1 and Part 73 Competitive Bidding Rules and Requirements

3. Consistent with the provisions of 47 U.S.C. 309(j)(3)(E)(i), OEA and MB seek comment on a variety of auction-specific procedures relating to the conduct of Auction 114.

4. The Commission's part 1 and part 73 competitive bidding rules require each applicant seeking to bid to acquire a construction permit in a broadcast auction to provide certain information in a short-form application (FCC Form 175), including ownership details and numerous certifications. The competitive bidding rules in part 1, subpart Q, and part 73 also contain a framework for the implementation of a competitive bidding design, application and certification procedures, reporting requirements, and the prohibition of certain communications.

A. Certification of Notice of Auction 114 Requirements and Procedures

5. OEA and MB propose to require any party seeking to participate in Auction 114 to certify in its short-form application, under penalty of perjury, that it has read the public notice

adopting procedures for the auction and that it has familiarized itself both with the auction procedures and with the requirements for obtaining a construction permit for an FM station. OEA and MB believe that this requirement, which has been implemented in other recent auctions, would help ensure that the applicant has reviewed the procedures for participation in the auction process and has investigated and evaluated those technical and marketplace factors that may have a bearing on its potential use of any permits won at auction. Consequently, OEA and MB believe this requirement would promote an applicant's successful participation in the auction and minimize its risk of defaulting on its auction obligations. As with other certifications required under 47 CFR 1.2105, an auction applicant's failure to make the required certification in its short-form application by the applicable filing deadline would render its application unacceptable for filing, and its application would be dismissed with prejudice. OEA and MB seek comment on this proposal. OEA and MB also seek comment on whether there are additional steps the Commission should take with respect to the filing of short-form applications to further ensure and promote auction integrity.

B. Information Procedures During the Auction Process

6. OEA and MB propose to limit information available in Auction 114 to discourage unproductive and anti-competitive strategic behavior. With respect to bidding, OEA and MB will not identify bidders placing particular bids until after the bidding has closed, that is, they will implement anonymous bidding. In addition, while OEA and MB generally make available to the public information provided in each applicant's short-form application following an initial review by Commission staff, they propose to not make public until after bidding has closed: (1) the permits that an applicant selects for bidding in its short-form application, (2) the amount of any upfront payment made by or on behalf

of an applicant, (3) an applicant's bidding eligibility, and (4) any other bidding-related information that might reveal the identity of the bidder placing a bid. OEA and MB note that an applicant in a broadcast auction that is seeking a new entrant bidding credit and has an attributable interest in no more than three mass media facilities is required to disclose those facilities in its short-form application and to indicate whether any such facility is in the "same area" as the permit(s) selected in its short-form application. Because this could reveal the permits selected by an applicant, OEA and MB also propose to not make public until after bidding has closed any applicant's response to the question of whether a disclosed existing mass media facility is in the "same area" as a selected permit.

7. Under this proposal, OEA and MB would also not make public any real-time information on bidder-specific activity until after the close of bidding. However, bidders would have access to additional information related to their own bidding and bidding eligibility before and during the bidding via the FCC auction bidding system.

8. Under this proposal, after the close of bidding, bidders' permit selections, upfront payment amounts, bidding eligibility, bids, and other bidding-related information would be made publicly available.

9. OEA and MB seek comment on the above details of their proposal for implementing limited information procedures, or anonymous bidding, in Auction 114. Commenters opposing the use of limited information procedures in Auction 114 should explain their reasoning and propose alternative information rules.

C. Upfront Payments and Bidding Eligibility

10. In keeping with the usual practice in spectrum auctions, OEA and MB propose that applicants be required to submit upfront payments as a prerequisite to becoming qualified to bid. As described below, the upfront payment is a refundable deposit made by an applicant to establish its

eligibility to bid on construction permits. Upfront payments protect against frivolous or insincere bidding and provide the Commission with a source of funds from which to collect payments owed at the close of the bidding.

11. OEA and MB seek comment on an appropriate upfront payment for each construction permit being auctioned, taking into account such factors as the efficiency of the auction process and the potential value of similar construction permits. With these considerations in mind, OEA and MB propose the upfront payments set forth in Attachment A to the *Auction 114 Comment Public Notice* and seek comment on those proposed upfront payment amounts.

12. OEA and MB further propose that the amount of the upfront payment submitted by a bidder will determine its initial bidding eligibility in bidding units, which are a measure of bidder eligibility and bidding activity. OEA and MB propose to assign each construction permit a specific number of bidding units, equal to one bidding unit per dollar of the upfront payment listed in Attachment A on the Auction 114 website at www.fcc.gov/auction/114. The number of bidding units for a given construction permit is fixed and does not change during the auction as prices change. If an applicant is found to be qualified to bid on more than one permit being offered in Auction 114, such bidder may place bids on multiple construction permits, provided that the total number of bidding units associated with those construction permits does not exceed that bidder's current eligibility. A bidder cannot increase its eligibility during the auction; it can only maintain or decrease its eligibility. In calculating its upfront payment amount, and hence its initial bidding eligibility, an applicant must determine the maximum number of bidding units on which it may wish to bid (or hold provisionally winning bids) in any single round and submit an upfront payment amount covering that total number of bidding units. OEA and MB request comment on these proposals.

EXAMPLE—UPFRONT PAYMENTS, BIDDING ELIGIBILITY, AND BIDDING FLEXIBILITY

Construction permit	Market name	Bidding units	Upfront payment
MM-FM1228-A	Keeseville, NY	25,000	\$25,000
MM-FM1232-A	Wayne, OK	10,000	10,000

If a bidder wishes to bid on both construction permits in a round, it must have selected both on its FCC Form 175 and purchased at least 35,000 bidding units (25,000 + 10,000) of bidding eligibility. If it only wishes to bid on one, but not both, purchasing 25,000 bidding units would meet the eligibility requirement for either construction permit, and consequently the bidder would be able to bid on either construction permit, but not both at the same time. If the bidder purchased only 10,000 bidding units, the bidder would have enough eligibility for the Wayne, OK construction permit but not for the Keeseville, NY construction permit.

D. Minimum Opening Bids or Reserve Prices

13. As part of the pre-bidding process for each auction, OEA and MB seek comment on the use of a minimum opening bid amount and/or reserve price, as mandated by the Act. OEA and MB propose to establish minimum opening bid amounts for Auction 114. Based on their experience in past broadcast auctions, OEA and MB have found that setting a minimum opening bid amount judiciously is an effective bidding tool for accelerating the competitive bidding process. In the most recent FM broadcast auction, Auction 109, OEA and MB similarly proposed establishing minimum opening bids but not reserve prices; in that auction, no comments opposed the proposal, and OEA and MB adopted it. Based on these facts, OEA and MB propose establishing minimum opening bids for Auction 114. OEA and MB do not propose to establish separate reserve prices for any of the construction permits to be offered in Auction 114, nor do they see any reason to propose an aggregate reserve price for this auction.

14. For Auction 114, OEA and MB propose minimum opening bid amounts determined by taking into account the type of service and class of facility offered, market size, population covered by the proposed broadcast facility, and recent broadcast transaction data, to the extent such information is available. OEA and MB seek comment on the proposed minimum opening bid amounts for Auction 114, which are specified in Attachment A on the Auction 114 website at www.fcc.gov/auction/114. If commenters believe that these minimum opening bid amounts will result in unsold construction permits, are not reasonable amounts at which to start bidding, or should not preclude lower bids but instead operate as a form of reserve prices, they should explain why this is so and comment on the desirability of an alternative approach. Commenters should support their claims with valuation analyses and provide suggested amounts or formulas in connection with their proposed alternatives. In establishing the minimum opening bid amounts, OEA and MB particularly seek comment on factors that could reasonably have an impact on bidders' valuation of the broadcast spectrum, including the type of service and class of facility offered, market size, population covered by the proposed FM broadcast facility, and any other relevant factors. Commenters also may wish to address the general role of minimum opening bids in managing the

pace of the auction. For example, commenters could compare using minimum opening bids—e.g., by setting higher minimum opening bids to reduce the number of rounds it takes for construction permits to reach their final prices—to other means of controlling auction pace, such as changes to bidding schedules, percentage increments, or activity requirements.

E. Auction Delay, Suspension, or Cancellation

15. For Auction 114, OEA and MB propose that at any time before or during the bidding process, they may delay, suspend, or cancel bidding in the auction in the event of a natural disaster, technical obstacle, network interruption, administrative or weather necessity, evidence of an auction security breach or unlawful bidding activity, or for any other reason that affects the fair and efficient conduct of competitive bidding. OEA and MB will notify participants of any such delay, suspension, or cancellation by public notice and/or through the FCC auction bidding system's messages function. If bidding is delayed or suspended, OEA and MB may, in their sole discretion, elect to resume the auction starting from the beginning of the current round or from some previous round, or cancel the auction in its entirety. OEA and MB emphasize that they will exercise this authority solely at their discretion, and not as a substitute for situations in which bidders may wish to apply activity rule waivers. OEA and MB seek comment on this proposal.

F. Additional Default Payment Percentage

16. Any winning bidder that defaults or is disqualified after the close of an auction (i.e., fails to remit the required down payment by the specified deadline, fails to submit a timely long-form application, fails to make a full and timely final payment, or is otherwise disqualified) is liable for a default payment under 47 CFR 1.2104(g)(2). This payment consists of a deficiency payment, equal to the difference between the amount of the Auction 114 bidder's winning bid and the amount of the winning bid the next time a construction permit covering the same spectrum is won in an auction, plus an additional payment equal to a percentage of the defaulter's bid or of the subsequent winning bid, whichever is less.

17. The Commission's rules provide that, in advance of each auction, it will establish a percentage between 3% and 20% of the applicable winning bid to be assessed as an additional default

payment. As the Commission has indicated, the level of this additional payment in each auction will be based on the nature of the service and the construction permits being offered.

18. For Auction 114, OEA and MB propose to establish an additional default payment of 20%, which is consistent with the percentage in prior auctions of broadcast construction permits. As the Commission has noted, defaults weaken the integrity of the auction process and may impede the deployment of service to the public, and an additional 20% default payment will be more effective in deterring defaults than the 3% used in some earlier auctions. In light of these considerations, OEA and MB propose for Auction 114 an additional default payment of 20% of the relevant bid. OEA and MB seek comment on this proposal.

IV. Proposed Bidding Procedures

A. Simultaneous Multiple-Round Auction Design

19. OEA and MB propose to use the Commission's simultaneous multiple-round auction format for Auction 114. As described further below, this type of auction offers every construction permit for bid at the same time and consists of successive bidding rounds in which qualified bidders may place bids on individual construction permits. In this type of auction, which OEA and MB have used in all recent broadcast auctions, bidding typically remains open on all construction permits until bidding stops on every construction permit. OEA and MB seek comment on this proposal.

B. Bidding Rounds

20. Under OEA's and MB's proposal, Auction 114 will consist of sequential bidding rounds, each of which would be followed by the release of round results. A bidder will be able to place, and remove, a bid during a round, but will not be able to withdraw the bid once the round closes. The initial bidding schedule will be announced in a public notice to be released at least one week before the start of bidding. Details on viewing round results, including the location and format of downloadable round results files for each round, will be included in that same public notice.

21. OEA and MB propose that the initial bidding schedule may be adjusted in order to foster an auction pace that reasonably balances speed with the bidders' need to study round results and adjust their bidding strategies. Under this proposal, such changes may include the amount of time

for the bidding rounds, the amount of time between rounds, or the number of rounds per day, depending upon bidding activity and other factors. OEA and MB seek comment on this proposal. Commenters should address the efficacy of the bidding schedule in managing the pace of the auction. Specifically, commenters should compare and contrast changes to the bidding schedule with changes to other parameters used to manage the auction's pace, such as the activity requirement or bid amount parameters.

22. The Commission will conduct Auction 114 over the internet using the FCC auction bidding system. A bidder will also have the option of placing bids by telephone through a dedicated auction bidder line.

C. Stopping Rule

23. OEA and MB have discretion to establish stopping rules before or during multiple round auctions in order to complete the auction within a reasonable time. For Auction 114, OEA and MB propose to employ a simultaneous stopping rule approach, which means all construction permits remain available for bidding until bidding stops on every construction permit. Specifically, bidding will close on all construction permits after the first round in which no bidder submits any new bid on a construction permit for which the bidder is not the provisionally winning bidder. Consequently, under this approach, it is not possible to determine in advance how long the bidding in this auction will last.

24. In certain circumstances, for example, where the auction is proceeding unusually slowly or quickly, there is minimal overall bidding activity, or it appears likely that the auction will not close within a reasonable period of time or will close prematurely, OEA and MB are likely to attempt to change the pace of the auction. For example, OEA and MB may adjust the pace of bidding by changing the number of bidding rounds per day or the minimum acceptable bids. OEA and MB propose to retain the discretion to exercise any of these options with or without prior announcement during the auction. OEA and MB seek comment on these proposals. Commenters should provide specific reasons for supporting or objecting to these proposals.

D. Availability of Bidding Information

25. OEA and MB intend to make available, after each round closes, for each permit its current provisionally winning bid amount, the minimum acceptable bid amount for the following

round, and the number of bids placed on the permit during the round. These reports would be publicly accessible. Moreover, after the auction closes, OEA and MB propose to make available complete reports of all bids placed during each round of the auction, including bidder identities.

26. OEA and MB also will provide bidders with secure access to certain non-public bidding information while bidding is ongoing. Specifically, after each round ends, and before the next round begins, OEA and MB will make the following information available to individual bidders:

- The bidder's activity, based on all bids in the previous round; and
- Summary statistics of the bidder's bidding and other bidding-related actions in each round, including the permits on which it bid and the price it bid for each of those permits, the result of each of its bids, whether it has any provisionally winning bids, and remaining activity rule waivers.

27. OEA and MB believe that limiting the availability of bidding information during the auction balances their interest in providing bidders with sufficient information about the status of their own bids and the general level of bidding on all permits to allow them to bid confidently and effectively, while restricting the availability of information that may facilitate identification of bidders placing particular bids, which could potentially lead to undesirable strategic bidding. OEA and MB seek comment on this view.

E. Activity Rule

28. To ensure that the auction closes within a reasonable period of time, an activity rule requires bidders to bid actively throughout the auction, rather than wait until late in the auction before participating. For purposes of the activity rule, the FCC auction bidding system calculates a bidder's activity in a round as the sum of the bidding units associated with any construction permits upon which the bidder places bids during the current round and the bidding units associated with any construction permits for which the bidder holds provisionally winning bids. Bidders are required to be active on a specific percentage of their current bidding eligibility during each round of the auction. OEA and MB propose that in each bidding round, a bidder desiring to maintain its current bidding eligibility be required to be active on 100% of its bidding eligibility. Thus, the activity requirement would be satisfied when a bidder has bidding activity on construction permits with bidding units

that sum to 100% of the bidder's current eligibility in the round. If the activity rule is met, then the bidder's eligibility does not change in the next round. Failure to maintain the requisite activity level will result in the use of an activity rule waiver, if any remain, or a reduction in the bidder's eligibility for the next round of bidding, possibly curtailing or eliminating the bidder's ability to place additional bids in the auction. OEA and MB seek comment on this proposal. OEA and MB encourage commenters that oppose a 100% activity requirement to explain their reasons with specificity.

F. Activity Rule Waivers and Reducing Eligibility

29. For their proposed simultaneous multiple-round auction format, OEA and MB propose that when a bidder's activity in the current round is below the required minimum level, the bidder may preserve its current level of eligibility through an activity rule waiver, if available. An activity rule waiver applies to an entire round of bidding, not to a particular construction permit. Activity rule waivers are primarily a mechanism for a bidder to avoid the loss of bidding eligibility in the event that exigent circumstances prevent it from bidding in a particular round.

30. The FCC auction bidding system will assume that a bidder that does not meet the activity requirement would prefer to use an activity rule waiver (if available) rather than lose bidding eligibility. Therefore, the system will automatically apply a waiver at the end of any bidding round in which a bidder's activity level is below the minimum required level unless: (1) the bidder has no activity rule waiver remaining; or (2) the bidder overrides the automatic application of a waiver by electing to reduce eligibility, thereby meeting the activity requirement. If a bidder has no waivers remaining and does not satisfy the required activity level, the bidder's current eligibility will be permanently reduced, possibly curtailing or eliminating the ability to place additional bids in the auction.

31. A bidder with insufficient activity may wish to reduce its bidding eligibility rather than use an activity rule waiver. If so, the bidder must affirmatively override the automatic waiver mechanism during the bidding round by using the *reduce eligibility* function in the FCC auction bidding system. In this case, the bidder's eligibility would be permanently reduced to bring it into compliance with the activity rule described above. Reducing eligibility is an irreversible

action; once eligibility has been reduced, a bidder cannot regain its lost bidding eligibility.

32. Consistent with prior Commission auctions of broadcast construction permits, OEA and MB propose that each bidder in Auction 114 be provided with three activity rule waivers that may be used as set forth above at the bidder's discretion during the course of the auction. OEA and MB seek comment on this proposal.

G. Bid Amounts

33. OEA and MB propose that, in each round, a qualified bidder will be able to place a bid on a given construction permit in any of up to nine different amounts: the minimum acceptable bid amount or one of eight additional bid amounts.

34. *Minimum Acceptable Bid Amounts.* The first of the acceptable bid amounts is called the minimum acceptable bid amount. The minimum acceptable bid amount for a construction permit will be equal to its minimum opening bid amount until there is a provisionally winning bid for the construction permit. Once there is a provisionally winning bid for a construction permit, the minimum acceptable bid amount for that construction permit will be equal to the amount of the provisionally winning bid plus a specified percentage of that bid amount. The percentage used for this calculation, the *minimum acceptable bid increment percentage*, is multiplied by the provisionally winning bid amount, and the resulting amount is added to the provisionally winning bid amount. If, for example, the minimum acceptable bid increment percentage is 10%, then the provisionally winning bid amount is multiplied by 10%. The result of that calculation is added to the provisionally winning bid amount, and that sum is rounded using the Commission's standard rounding procedure for auctions.

35. *Additional Bid Amounts.* Under this proposal, the Commission will calculate the eight additional bid amounts using the minimum acceptable bid amount and an additional bid increment percentage. The minimum acceptable bid amount is multiplied by the additional bid increment percentage, and that result (rounded) is the additional increment amount. The first additional acceptable bid amount equals the minimum acceptable bid amount plus the additional increment amount. The second additional acceptable bid amount equals the minimum acceptable bid amount plus two times the additional increment amount; the third additional acceptable bid amount is the

minimum acceptable bid amount plus three times the additional increment amount; etc. If, for example, the additional bid increment percentage is 5%, then the calculation of the additional increment amount would be (minimum acceptable bid amount) * (0.05), rounded. The first additional acceptable bid amount equals (minimum acceptable bid amount) + (additional increment amount); the second additional acceptable bid amount equals (minimum acceptable bid amount) + (2 * (additional increment amount)); the third additional acceptable bid amount equals (minimum acceptable bid amount) + (3 * (additional increment amount)); etc.

36. For Auction 114, OEA and MB propose to use a minimum acceptable bid increment percentage of 10%. This means that the minimum acceptable bid amount for a construction permit will be approximately 10% greater than the provisionally winning bid amount for the construction permit. To calculate the additional acceptable bid amounts, OEA and MB propose to use a bid increment percentage of 5%. OEA and MB have used a minimum acceptable bid increment percentage of 10% coupled with an additional bid increment percentage of 5% in past broadcast auctions and have found that these percentages allow bidders to express their valuations in sufficient granularity while also assuring that the auction moves at a satisfactory pace. OEA and MB seek comment on these proposals.

37. *Bid Amount Changes.* OEA and MB propose to retain the discretion to change the minimum acceptable bid amounts, the minimum acceptable bid increment percentage, the additional bid increment percentage, and the number of acceptable bid amounts if they determine, consistent with past practice, that circumstances so dictate. OEA and MB propose to retain the discretion to do so on a construction permit-by-construction permit basis. OEA and MB also propose to retain the discretion to limit, in dollars, (a) the amount by which a minimum acceptable bid for a construction permit may increase compared with the corresponding provisionally winning bid, and (b) the amount by which an additional bid amount may increase compared with the immediately preceding acceptable or additional bid amount. For example, OEA and MB could set a \$1,000 limit on increases in minimum acceptable bid amounts over provisionally winning bids. In this example, if calculating a minimum acceptable bid using the minimum acceptable bid increment percentage results in a minimum

acceptable bid amount that is \$1,200 higher than the provisionally winning bid on a construction permit, the minimum acceptable bid amount would instead be capped at \$1,000 above the provisionally winning bid. OEA and MB seek comment on the circumstances under which they should employ such a limit, factors OEA and MB should consider when determining the dollar amount of the limit, and the tradeoffs in setting such a limit or changing other parameters, such as changing the minimum acceptable bid increment percentage, the additional bid increment percentage, or the number of acceptable bid amounts. If OEA and MB exercise this discretion, they will alert bidders by announcement in the FCC auction bidding system during the auction.

38. OEA and MB seek comment on these proposals. If commenters disagree with the proposal to begin the auction with nine acceptable bid amounts per construction permit, they should suggest an alternative number of acceptable bid amounts to use. Commenters may wish to address the role of the minimum acceptable bids and the number of acceptable bid amounts in managing the pace of the auction, and compare how these parameters manage the auction's pace relative to decisions regarding the bidding schedule, activity requirement, minimum opening bid amounts, or other parameters.

H. Provisionally Winning Bids

39. The FCC auction bidding system will determine provisionally winning bids consistent with practice in past auctions. Specifically, at the end of a bidding round, the bidding system will determine a provisionally winning bid for each construction permit based on the highest bid amount received for that permit. The FCC auction bidding system will advise bidders of the status of their bids when round results are released. A provisionally winning bid cannot be withdrawn and will remain the provisionally winning bid until there is a higher bid on the same construction permit at the close of a subsequent round. Provisionally winning bids at the end of the auction become the winning bids. As a reminder, provisionally winning bids count toward activity for purposes of the activity rule.

40. The FCC auction bidding system assigns a pseudo-random number generated by an algorithm to each bid when the bid is entered. If identical high bid amounts are submitted on a construction permit in any given round (*i.e.*, tied bids), the FCC auction bidding system will use a pseudo-random number generator to select a single

provisionally winning bid from among the tied bids. The tied bid with the lowest pseudo-random number wins the tiebreaker and becomes the provisionally winning bid. The remaining bidders, as well as the provisionally winning bidder, can submit higher bids in subsequent rounds. However, if the auction were to end with no other bids being placed, the winning bidder would be the one that placed the provisionally winning bid. If the construction permit receives any bids in a subsequent round, the provisionally winning bid again will be determined by the highest bid amount received for the construction permit.

V. Tutorial and Additional Information for Applicants

41. The Commission intends to provide additional information on the bidding system and to offer demonstrations and other educational opportunities for applicants in Auction 114 to familiarize themselves with the FCC auction application system and the auction bidding system. For example, OEA and MB intend to release an online tutorial that will help applicants understand the procedures to be followed in the filing of their short-form applications and on the bidding procedures for Auction 114.

VI. Initial Regulatory Flexibility Analysis

42. As required by the Regulatory Flexibility Act of 1980, as amended (RFA), the Commission prepared Initial Regulatory Flexibility Analyses (IRFAs) in connection with the *Broadcast Competitive Bidding Notice of Proposed Rulemaking* (NPRM), 62 FR 65392, December 12, 1997, and other Commission NPRMs (collectively, *Competitive Bidding NPRMs*) pursuant to which Auction 114 will be conducted. Final Regulatory Flexibility Analyses (FRFAs) likewise were prepared in the *Broadcast Competitive Bidding Order*, 63 FR 48615, September 11, 1998, and other Commission rulemaking orders (collectively, *Competitive Bidding Orders*) pursuant to which Auction 114 will be conducted. OEA and MB have prepared this Initial Regulatory Flexibility Analysis (IRFA) of the procedures proposed in the *Auction 114 Comment Public Notice*, assessing the possible significant economic impact on a substantial number of small entities. The Commission requests written public comments on the IRFA. Comments must be identified as responses to the IRFA and must be filed by the same deadlines for comments specified in the **DATES** section of this document. The

Commission will send a copy of the *Auction 114 Comment Public Notice*, including this IRFA, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy.

43. *Need for, and Objectives of, the Proposed Procedures.* The proposed procedures for the conduct of Auction 114 as described in the *Auction 114 Comment Public Notice* would constitute the more specific implementation of the competitive bidding rules contemplated by parts 1 and 73 of the Commission's rules, adopted by the Commission in multiple notice-and-comment rulemaking proceedings, including the delegation of authority to establish additional procedures to be adopted prior to a broadcast auction. The *Auction 114 Comment Public Notice* seeks comment on proposed procedures, terms, and conditions governing Auction 114, including the minimum opening bid amounts for the specified construction permits, and is fully consistent with the underlying rulemaking orders, including the *Broadcast Competitive Bidding Order* and other relevant competitive bidding orders.

44. The *Auction 114 Comment Public Notice* provides notice to Auction 114 applicants, some of which are small entities, of proposed auction procedures and provides adequate time for applicants to comment on those proposed procedures. To promote the efficient and fair administration of the competitive bidding process for all Auction 114 participants, the *Auction 114 Comment Public Notice* seeks comment on the following proposed procedures:

- A requirement that any applicant seeking to participate in Auction 114 certify in its short-form application, under penalty of perjury, that it has read the public notice adopting procedures for Auction 114 that will be released in advance of the short-form application deadline, and that it has familiarized itself with those procedures and the requirements for obtaining a construction permit for an FM station;
- Use of anonymous bidding/limited information procedures, which will not make public until after bidding has closed: (1) the permits that an applicant selects for bidding in its short-form application, (2) the amount of any upfront payment made by or on behalf of an applicant, (3) any applicant's bidding eligibility, and (4) any other bidding-related information that might reveal the identity of the bidder placing a bid;
- Establishment of an additional default payment of 20% under 47 CFR

1.2104(g)(2) in the event a winning bidder defaults or is disqualified after the auction closes;

- Use of a simultaneous multiple-round auction format, consisting of sequential bidding rounds with a simultaneous stopping rule;
- Provision of delegated authority to OEA, in conjunction with MB, to exercise its discretion to delay, suspend, or cancel bidding in Auction 114 for any reason that affects the ability of the competitive bidding process to be conducted fairly and efficiently;
- Retention by OEA of discretion to adjust the bidding schedule in order to manage the pace of Auction 114;
- A specific minimum opening bid amount for each construction permit to be offered in this auction;
- A specific number of bidding units for each construction permit;
- A specific upfront payment amount for each construction permit;
- Establishment of a bidder's initial bidding eligibility in bidding units based on that bidder's upfront payment;
- Establishment of an activity rule requiring the bidder to be active on 100% of its bidding eligibility in each bidding round;
- Provision of three activity waivers for each bidder to allow it to preserve eligibility during the course of the auction;
- Use of minimum acceptable bid amounts and additional bid increments, along with a proposed methodology for calculating such amounts, while retaining discretion to change the methodology if circumstances dictate; and

- A procedure for breaking ties if identical high bid amounts are submitted on a construction permit in a given round.

45. *Legal Basis.* The Commission's statutory obligations to small businesses participating in a spectrum license auction under the Act are found in 47 U.S.C. 309(j)(3)(B) and 309(j)(4)(D). The statutory basis for the Commission's competitive bidding rules is found in various provisions of the Act, including 47 U.S.C. 154(i), 301, 303(e), 303(f), 303(r), 304, 307, and 309(j). The Commission has established a framework of competitive bidding rules pursuant to which it has conducted auctions since the inception of the auction program in 1994 and would conduct Auction 114. The Commission has directed that OEA and MB, under delegated authority, seek comment on a variety of auction-specific procedures prior to the start of bidding in each auction.

46. *Description and Estimate of the Number of Small Entities to Which the*

Proposed Procedures Will Apply. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed procedures, if adopted. The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small government jurisdiction.” In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act. A “small business concern” is one which: (1) is independently owned and operated, (2) is not dominant in its field of operation, and (3) satisfies any additional criteria established by the SBA. The SBA establishes small business size standards that agencies are required to use when promulgating regulations relating to small businesses; agencies may establish alternative size standards for use in such programs, but must consult and obtain approval from SBA before doing so.

47. OEA’s and MB’s actions, over time, may affect small entities that are not easily categorized at present. OEA and MB therefore describe three broad groups of small entities that could be

directly affected by their actions. In general, a small business is an independent business having fewer than 500 employees. These types of small businesses represent 99.9% of all businesses in the United States, which translates to 34.75 million businesses. Next, “small organizations” are not-for-profit enterprises that are independently owned and operated and not dominant in their field. While OEA and MB do not have data regarding the number of non-profits that meet that criteria, over 99 percent of nonprofits have fewer than 500 employees. Finally, “small governmental jurisdictions” are defined as cities, counties, towns, townships, villages, school districts, or special districts with populations of less than fifty thousand. Based on the 2022 U.S. Census of Governments data, OEA and MB estimate that at least 48,724 out of 90,835 local government jurisdictions have a population of less than 50,000.

48. The specific procedures and minimum opening bid amounts on which comment is sought in the *Auction 114 Comment Public Notice* will directly affect all applicants participating in Auction 114. The number of entities that may apply to participate in Auction 114 is unknown.

Based on the number of applicants in prior FM auctions, OEA and MB estimate that the number of applicants for Auction 114 may range from approximately 130 to 260. This estimate is based on the number of applicants who filed short-form applications to participate in previous open auctions of FM construction permits held to date, an average of 1.7 short-form applications were filed per construction permit offered, with a median of 1.2 applications per permit. The actual number of applicants for Auction 114 could vary significantly as any individual’s or entity’s decision to participate may be affected by a number of factors beyond the Commission’s control.

49. The proposed procedures in the *Auction 114 Comment Public Notice* will apply to small entities in the industries identified in the chart below by their six-digit North American Industry Classification System (NAICS) codes and corresponding SBA size standard. Where available, OEA and MB also provide additional information regarding the number of potentially affected entities in the industries identified below.

TABLE 1—2022 U.S. CENSUS BUREAU DATA BY NAICS CODE

Regulated Industry (Footnotes specify potentially affected entities within a regulated industry where applicable)	NAICS code	SBA size standard (millions)	Total firms	Total small firms	% Small firms
Radio Broadcasting Stations	516110	\$47	2,616	2,136	81.65

TABLE 2—BROADCAST ENTITY DATA

Broadcast Station Owners (as of August 8, 2025)	SBA size standard (\$47 Million)		
Affected entity	Number of commercial licensed	Small firms	% Small entities
Radio Stations (AM & FM) Groups	2,881	2,863	99.38

50. *Description of Economic Impact and Projected Reporting, Recordkeeping, and Other Compliance Requirements for Small Entities.* The RFA directs agencies to describe the economic impact of proposed rules on small entities, as well as projected reporting, recordkeeping and other compliance requirements, including an estimate of the classes of small entities which will be subject to the requirements and the type of professional skills necessary for preparation of the report or record.

51. In the *Auction 114 Comment Public Notice*, OEA and MB do not propose any new reporting,

recordkeeping, or other compliance requirements for small entities or other auction applicants. Moreover, the auction application process is designed to minimize reporting and compliance requirements for applicants, some of which are small entities. To participate in this auction, parties will file streamlined, short-form applications in which they certify their qualifications under penalty of perjury. Eligibility to participate in bidding is based on an applicant’s short-form application and certifications, as well as its upfront payment. In the second phase of the auction process, there are additional compliance requirements for winning

bidders. Thus, a small business that fails to become a winning bidder does not need to file a long-form application and provide the additional showings and more detailed demonstrations required of a winning bidder.

52. OEA and MB do not expect the processes and procedures proposed in the *Auction 114 Comment Public Notice* will require small entities to hire attorneys, engineers, consultants, or other professionals to participate in Auction 114 and comply with the procedures they ultimately adopt because of the information, resources, and guidance OEA and MB make available to potential and actual

participants at no cost. For example, OEA and MB intend to release an online tutorial that will help applicants understand the procedures for filing the short-form application (FCC Form 175). OEA and MB also intend to make information on the bidding system available and to offer demonstrations and other educational opportunities for applicants in Auction 114 to familiarize themselves with the FCC auction application system and the auction bidding system. By providing these resources, as well as the resources discussed below, OEA and MB expect small entities who use the available resources to experience lower participation and compliance costs. Nevertheless, while OEA and MB cannot quantify the cost of compliance with the proposed procedures, they do not believe that the costs of compliance will unduly burden small entities that choose to participate in the auction because the proposals for Auction 114 are similar in many respects to the procedures in recent broadcast auctions conducted by the Commission.

53. *Discussion of Significant Alternatives Considered That Minimize the Significant Economic Impact on Small Entities.* The RFA directs agencies to provide a description of any significant alternatives to the proposed rules that would accomplish the stated objectives of applicable statutes, and minimize any significant economic impact on small entities. The discussion is required to include alternatives such as: “(1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance and reporting requirements under the rule for such small entities; (3) the use of performance rather than design standards; and (4) an exemption from coverage of the rule, or any part thereof, for such small entities.”

54. In the *Auction 114 Comment Public Notice*, the Commission sets forth proposals to facilitate participation in Auction 114 and result in both operational and administrative cost savings for small entities and other auction participants. In developing these proposals, OEA and MB also consider alternatives that could minimize significant economic impact on small entities. For example, given the numerous resources that will be made available from the Commission at no cost, the processes and procedures proposed in the *Auction 114 Comment Public Notice* should result in minimal economic impact on small entities. Prior to the start of bidding, the Commission

will hold a mock auction to allow qualified bidders the opportunity to familiarize themselves with both the bidding processes and systems that will be used in Auction 114. During the auction, participants will be able to access and participate in bidding via the internet using a web-based system, or telephonically, providing two cost-effective methods of participation and avoiding the cost of travel for in-person participation. Further, small entities as well as other auction participants will be able to avail themselves of a telephone hotline for assistance with auction processes and procedures as well as a telephone technical support hotline to assist with issues such as access to or navigation within the electronic FCC Form 175 and use of the FCC's auction system. All auction participants, including small business entities, will also have access to various other sources of information and databases through the Commission that will aid in both their understanding of and participation in the process. These mechanisms are made available to facilitate participation by all qualified bidders and may result in significant cost savings for small business entities that utilize these mechanisms. Alternatively, OEA and MB consider other ways in which to assist small entities, many of which have limited resources, to more efficiently participate in Auction 114 and seek comment on such proposals. These steps, coupled with the advanced description of the bidding procedures, should ensure that the auction will be administered efficiently and fairly, thus providing certainty for small entities.

55. In addition, consistent with previous Commission auctions of broadcast construction permits, the *Auction 114 Comment Public Notice* proposes that each bidder in Auction 114 be provided with three activity rule waivers, which serve to allow the bidder to avoid the loss of bidding eligibility should exigent circumstances prevent it from bidding in a particular round. These waivers may be used at the bidder's discretion during the auction. Alternatively, OEA and MB consider whether this proposal of three activity rule waivers is sufficient for small entities or if more are needed and seek comment on this issue.

56. To assist with the Commission's evaluation of the economic impact on small entities that may result from the actions and alternatives that have been discussed in this proceeding, the *Auction 114 Comment Public Notice* seeks alternative proposals, and requests information on the potential costs of such alternatives to small entities. The

Commission expects to consider more fully the economic impact on small entities following its review of comments filed in response to the *Auction 114 Comment Public Notice*, including costs and benefits information. The Commission's evaluation of the comments filed in this proceeding will shape the final conclusions it reaches, the final alternatives it considers, and the actions it ultimately takes in this proceeding to minimize any significant economic impact on small entities resulting from the final procedures that are ultimately adopted.

57. *Federal Rules that May Duplicate, Overlap, or Conflict with the Proposed Rules.* None.

Federal Communications Commission.

Gary Michaels,

Senior Deputy Chief, Auctions Division,
Office of Economics and Analytics.

[FR Doc. 2026–09838 Filed 5–14–26; 8:45 am]

BILLING CODE 6712–01–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 79

[MB Docket No. 12–107; FCC 26–31; FR ID 345581]

Accessible Emergency Information, and Apparatus Requirements for Emergency Information and Video Description: Implementation of the Twenty-First Century Communications and Video Accessibility Act of 2010

AGENCY: Federal Communications Commission.

ACTION: Proposed rule.

SUMMARY: In this document, the Commission proposes to revise the Audible Crawl Rule, which requires video programming providers and distributors to make non-textual visual emergency information provided during non-newscast programming accessible via a secondary audio stream. The revised rule would provide that the accessibility requirement is met if a textual crawl provides emergency information duplicative of or equivalent to non-textual visual emergency information, so long as the textual crawl is also conveyed aurally.

DATES: Comments are due on or before June 15, 2026; reply comments are due on or before June 29, 2026.

ADDRESSES: Pursuant to §§ 1.415 and 1.419 of the Commission's rules, 47 CFR 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated on the first

page of this document. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS). You may submit comments, identified by MB Docket No. 12–107, by any of the following methods:

- *Electronic Filers:* Comments may be filed electronically using the internet by accessing the ECFS: <https://www.fcc.gov/ecfs>.

- *Paper Filers:* Parties who choose to file by paper must file an original and one copy of each filing.

- Filings can be sent by hand or messenger delivery, by commercial courier, or by the U.S. Postal Service. All filings must be addressed to the Secretary, Federal Communications Commission.

- Hand-delivered or messenger-delivered paper filings for the Commission's Secretary are accepted between 8:00 a.m. and 4:00 p.m. by the FCC's mailing contractor at 9050 Junction Drive, Annapolis Junction, MD 20701. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.

- Commercial courier deliveries (any deliveries not by the U.S. Postal Service) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.

- Filings sent by U.S. Postal Service First-Class Mail, Priority Mail, and Priority Mail Express must be sent to 45 L Street NE, Washington, DC 20554.

- *People With Disabilities:* To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an email to fcc504@fcc.gov or call the Consumer and Governmental Affairs Bureau at 202–418–0530.

FOR FURTHER INFORMATION CONTACT: For additional information on this proceeding, contact Diana Sokolow, Diana.Sokolow@fcc.gov, of the Policy Division, Media Bureau, (202) 418–2120.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Third Further Notice of Proposed Rulemaking (FNPRM), in MB Docket No. 12–107, FCC 26–31, adopted on April 30, 2026 and released on May 1, 2026. The full text of this document is available electronically in ASCII, Microsoft Word, and/or Adobe Acrobat via ECFS and at <https://docs.fcc.gov/public/attachments/FCC-26-31A1.pdf>.

Paperwork Reduction Act. This document does not contain proposed information collection(s) subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104–13. In addition, therefore, it does not contain any proposed new or modified information

collection burden for small business concerns with fewer than 25 employees, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107–198, see 44 U.S.C. 3506(c)(4).

Providing Accountability Through Transparency Act. Consistent with the Providing Accountability Through Transparency Act, Public Law 118–9, a summary of this document will be available on <https://www.fcc.gov/proposed-rulemakings>.

Ex Parte Rules—Permit-But-Disclose. This proceeding shall be treated as a “permit-but-disclose” proceeding in accordance with the Commission's ex parte rules.¹ Persons making ex parte presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral ex parte presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the ex parte presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during ex parte meetings are deemed to be written ex parte presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written ex parte presentations and memoranda summarizing oral ex parte presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (e.g., .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's ex parte rules.

¹ 47 CFR 1.1200 et seq.

Synopsis

The FCC seeks to take a commonsense approach to regulations that do not work as enacted. One such rule has been waived in part for the entirety of the more than ten years since its enactment. The Audible Crawl Rule requires video programming distributors and providers to provide an aural representation of visual, non-textual emergency information shown during non-news video programming, such as radar maps or other graphics, on a secondary audio stream. While recognizing the need to revise the rule, we continue to appreciate the Commission's statutory obligations to guard accessibility and consumer interests. Our actions here satisfy both requirements. The revised rule would provide that the accessibility requirement is met if a video programming distributor or provider provides textual crawls that convey emergency information duplicative of or equivalent to the visual, non-textual information, and if those textual crawls are conveyed aurally.²

On April 9, 2013, pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010 (CVAA), the Commission released the *Emergency Information Order*, which adopted rules requiring that emergency information provided in video programming be made accessible to individuals who are blind or visually impaired. Section 202 of the CVAA directed the Commission to promulgate rules requiring video programming providers, video programming distributors, and program owners to convey emergency information in a manner accessible to individuals who are blind or visually impaired. The *Emergency Information Order* implemented this mandate by requiring the use of a secondary audio stream to convey televised emergency information aurally, when such information is conveyed visually during programming other than newscasts,³ for example, in

² This FNPRM is consistent with the requests contained in a National Association of Broadcasters (NAB) petition filed on November 15, 2024. The current waiver of the Audible Crawl Rule expires on November 29, 2027 or the date on which there is a ruling on the Petition, whichever is sooner. We clarify that this FNPRM is not a “ruling” on the pending NAB petition for rulemaking and waiver extension as that phrase is used in the 2026 Waiver Order. Rather, such a “ruling” will occur once the Commission issues a final rulemaking order regarding the Audible Crawl Rule in this proceeding.

³ The Commission's emergency information rule contains separate provisions regarding emergency information that is provided visually during a regularly scheduled newscast, or a newscast that interrupts regular programming, as compared to emergency information that is provided visually during programming that does not fit into either of

an on-screen crawl. Among the rules adopted in the *Emergency Information Order* was § 79.2(b)(2)(ii), which applies to video programming providers and distributors⁴ and requires that emergency information provided visually during non-newscast video programming must be made audibly accessible to individuals who are blind or visually impaired through the use of a secondary audio stream. Stations may provide visual emergency information via a text crawl, but they also may “choose to display a small image like a weather radar map in a corner of the screen as a less obtrusive signal about an imminent or current situation.”⁵

Although the compliance deadline for the Audible Crawl Rule was May 26, 2015, the Media Bureau has granted seven successive waiver requests pertaining to the requirement that visual but non-textual emergency information displayed during non-newscast

those categories, which is the subject of this FNPRM. The rule provides that “[e]mergency information that is provided visually during a regularly scheduled newscast, or newscast that interrupts regular programming, must be made accessible to individuals who are blind or visually impaired.” This requires the aural presentation of emergency information that is being provided to viewers visually to be included as part of the primary program audio stream. In contrast, the rule provides that emergency information that is provided visually during programming that is not a regularly scheduled newscast, or a newscast that interrupts regular programming, must be conveyed aurally via the secondary audio stream. The record does not contain any evidence of compliance difficulties for emergency information that is provided visually during a regularly scheduled newscast, or newscast that interrupts regular programming, perhaps because such programming typically involves a live person discussing in detail any visual emergency information. Accordingly, the focus of this FNPRM is solely on non-newscast video programming.

⁴ A “video programming distributor” is defined as “[a]ny television broadcast station licensed by the Commission and any multichannel video programming distributor (MVPD), and any other distributor of video programming for residential reception that delivers such programming directly to the home and is subject to the jurisdiction of the Commission.” A “video programming provider” is “[a]ny video programming distributor and any other entity that provides video programming that is intended for distribution to residential households including, but not limited to, broadcast or nonbroadcast television networks and the owners of such programming.” While the Audible Crawl Rule applies to “video programming distributors and video programming providers,” we recognize that emergency information that is shown during non-newscast programming is generally provided by television broadcast stations, which are, by definition, more narrowly geographically targeted than national networks. Additionally, as the Commission has previously stated, “[a]lthough [s]ection 613(g)(2) also refers to ‘program owners,’ a term that is not defined separately in [s]ection 79.1 of the Commission’s rules, we note that the definition of ‘video programming provider’ in [s]ection 79.1(a)(3) includes ‘but [is] not limited to broadcast or nonbroadcast television network and the owners of such programming.’”

⁵ Petition at 15.

programming be conveyed aurally.⁶ First, on May 26, 2015, the Bureau granted NAB’s waiver request for a period of 18 months. NAB requested the waiver “until technological solutions are available,” explaining that it was “currently infeasible to comply with this requirement with respect to radar maps and similar moving graphics because they do not contain text files that can be converted to speech.” The American Council of the Blind (ACB) and the American Foundation for the Blind (AFB) did not object to the waiver, but they asked the Commission to clarify that emergency information cannot be delivered exclusively via graphics. In granting the 18-month waiver, the Bureau addressed this request for clarification when it indicated that the waiver would “not unduly disrupt the availability of emergency information while the industry develops a technical solution,” because “the record indicates that visual but non-textual emergency information is generally duplicative of emergency information contained in an accompanying on-screen crawl, which would be aurally transcribed on the secondary audio stream.”

Second, on November 16, 2016, the Bureau granted an 18-month waiver extension requested jointly by NAB, ACB, and AFB. The petitioners explained that “the additional time will allow broadcasters and accessibility advocates to continue coordinating with vendors on a technical solution as well as to explore other potential sources for a solution, and will give the Commission’s Disability Advisory Committee (DAC) time to consider the issue.” The Bureau found that a waiver was justified to allow time for the creation of “a long-term, automated solution,” which would be “preferable to a short-term, manual solution that requires station personnel to describe every graphic, particularly given that such an approach may be burdensome to broadcasters and may raise its own technical complexities.” In addition, the Bureau required the petitioners to

⁶ Each of the seven waivers applied specifically to broadcasters, and not more broadly to the video programming distributors and providers to which the rule applies. This may be due to the fact that, as stated above, the emergency information that is shown during non-newscast programming is generally provided by television broadcast stations, and as a result no MVPD has sought a waiver of the Audible Crawl Rule. However, given that the Audible Crawl Rule imposes a burden on video programming distributors and providers, we tentatively believe that modification of the rule as set forth herein should apply to all entities subject to the rule, in case entities that may not currently provide televised emergency information begin to do so in the future. We invite comment on this analysis.

submit a status report on November 22, 2017, detailing “the extent to which images are conveyed with a corresponding on-screen crawl that includes the critical details conveyed by that image regarding the emergency and how to respond to the emergency,” as well as “information about the development of automated description solutions.” NAB, ACB, and AFB jointly submitted the status report in which they stated, “It is exceedingly rare for a television station to broadcast an image that conveys information not already captured in an accompanying text crawl.” They also explained that, despite efforts on this issue, there still was not any viable technical compliance solution available.

Third, on May 25, 2018, the Bureau granted a five-year waiver extension requested jointly by NAB, ACB, and AFB. The petitioners explained that their efforts to develop an automated approach to aurally describing visual, non-textual emergency information had not yet yielded any solution, and that enforcing the requirement would lead to the removal of graphic emergency information to avoid the risk of Commission enforcement actions. The Bureau found good cause to grant the waiver, and it required NAB to submit a status report by November 25, 2020, detailing progress achieved to that point. NAB submitted the status report, which explained that there still was not any viable technical compliance solution available despite industry efforts. The report also discussed NAB’s continued engagement with the disability community and with educating broadcasters on best practices, and it explained that the Audible Crawl Rule’s application to visual non-textual graphic images shown during non-news programming is a small portion of televised emergency information.

Fourth, on May 26, 2023, the Bureau granted NAB’s waiver request for a period of 18 months. ACB and AFB filed joint comments indicating that although they supported NAB’s prior waiver requests, they did not support further extension of the waiver due to concerns about a lack of effort to develop a technical solution. ACB and AFB also requested that, if the Commission were to extend the waiver, it should require broadcasters to use an interim manual solution to convey visual emergency information aurally. The Bureau detailed the good faith efforts NAB indicated it had made to develop a solution, even though those efforts were unsuccessful. The Bureau declined to require broadcasters to implement an interim manual solution, citing NAB’s

explanation “that in most instances emergency content provided in graphic displays is duplicative of emergency information provided in textual crawls and transmitted aurally on a secondary audio programming stream,” and expressing concern “that mandating a manual solution could lead some broadcasters . . . to forego the use of non-textual graphic displays altogether rather than risk a possible FCC penalty.” The Bureau found good cause to grant the waiver to November 26, 2024, and it required NAB to submit quarterly status reports. None of the six quarterly status reports identified even a single instance in which the waiver was relied on, such that there would have been a violation of the Audible Crawl Rule absent the waiver; rather, the reports discussed NAB’s coordination with industry and disability groups to develop a technical compliance solution and best practices, and the fact that best practices would obviate the need for a technical solution, which remained unavailable.

Fifth, NAB filed the Petition on November 15, 2024, requesting modification of the Audible Crawl Rule and a waiver of the rule for 18 months (until May 2026), subject to the Commission’s discretion to terminate the waiver earlier depending on the outcome of NAB’s request. On November 25, 2024, the Bureau sought comment on the Petition; three comments were filed on December 26, 2024, and one reply comment was filed on January 9, 2025, all of which support the Petition, so long as any revised rule ensures that people who are blind or visually impaired have access to the same critical details of an emergency as sighted viewers. No party objected to NAB’s waiver request. Because the waiver expired during the comment period on the Petition, NAB filed a request for an expedited retroactive extension of the waiver on November 27, 2024, explaining that “numerous large television station groups have ceased the display of such weather radar maps and similar visual images,” which “will harm the public.”⁷ The Bureau extended the waiver for six months, “based on the record in this proceeding, [and] in light of the pendency of the Petition, the fact that a temporary retroactive waiver would maintain the

status quo, and the fact that no commenter opposed the Request.”⁸

Sixth, the Bureau on its own motion extended the waiver of the Audible Crawl Rule for one year (through May 27, 2026) or until there was a ruling in effect on the underlying Petition, whichever occurred sooner. On January 10, 2025, in its reply comments, NAB renewed its original request for an 18-month extension of the current waiver if the Commission did not resolve its Petition before the waiver’s expiration. No party objected to NAB’s renewed waiver request, and the Bureau’s waiver order reiterated the reasoning found in the prior waiver orders.

Most recently, on April 8, 2026, the Bureau on its own motion extended the waiver of the Audible Crawl Rule for 18 months (through November 29, 2027) or until there is a ruling in effect on the underlying Petition, whichever is sooner. The Bureau explained that it is not aware of any change in circumstances relevant to this matter since it released the *2025 Waiver Order*. The Bureau referenced the lack of “progress in developing a workable technical compliance solution,” and explained that the waiver would “allow the Commission to consider the pending Petition.”

In this Third Further Notice of Proposed Rulemaking (FNPRM), we consider the Petition and the record developed thereto. As discussed in section III below, we grant NAB’s Petition for Rulemaking and propose to implement the rule change requested in the Petition, namely, that we specify that with regard to visual but non-textual emergency information, compliance with the Audible Crawl Rule is fulfilled if a textual crawl provides emergency information duplicative of or equivalent to the visual but non-textual emergency information, so long as the textual crawl is also conveyed aurally.

After review of the NAB Petition, and the comments filed in response, we conclude that the record supports initiation of a rulemaking proceeding to seek further comment on the proposals in the Petition. We propose to revise the Audible Crawl Rule to specify that the requirement that video programming providers and distributors make visual emergency information provided during non-newscast programming accessible via a secondary audio stream is met if a textual crawl provides emergency information duplicative of or equivalent to non-textual visual emergency

information, so long as the textual crawl is also conveyed aurally. In so doing, we explicitly and unequivocally recognize “that people who are blind or have low vision must have equal access to emergency information, just as sighted people do.”⁹ We invite comment on the proposal. Should the proposed rule change apply to all entities covered by the applicable rule—that is, to video programming distributors and video programming providers, which would include both broadcasters and MVPDs, to the extent such entities provide visual but non-textual emergency information? We recognize that all seven waivers of the Audible Crawl Rule, and the associated reporting requirements, apply to “broadcasters,” and not more broadly to the video programming distributors and providers to which the rule applies, which would include both broadcasters and MVPDs. Although video programming distributors and providers that are not broadcasters have not sought a waiver of the rule, does it nonetheless make sense for the rule change adopted herein to apply to all entities subject to the regulation, in other words, to all video programming distributors and providers, considering that such entities may provide televised emergency information in the future and an automated solution has not been identified to date?

We tentatively conclude that a technical solution to comply with the current rule is not currently possible with regard to visual but non-textual emergency information, making compliance with the rule infeasible absent our proposed revision to the Audible Crawl Rule, and it is uncertain whether or when such a solution may be available. The Petition and the responsive comments indicate that at this time, there is no technical means of complying with the Audible Crawl Rule for visual but non-textual emergency information.¹⁰ Based on the existing record, despite discussions involving broadcasters, entities that provide weather information to television stations, Ai-Media,¹¹ and other product vendors, no entity has yet identified an

⁹ AFB/ACB Comments at 1.

¹⁰ We recognize that in an ex parte filing, Bridge Multimedia indicates that its Weather Brain technology “can translate maps, graphics, and other non-textual visual information into audio using AI with human review.” We invite comment on whether this or other technologies currently would be able to serve as a technical solution to the problem described herein, or whether the necessitated “human review” or other factors counter against such a finding.

¹¹ NAB describes Ai-Media as “a global leader in the development of artificial intelligence (AI)-powered captioning and translation solutions.”

⁷ According to NAB, the waiver request had the “support[]” of the American Council of the Blind (ACB). The NAB Petition did not explain why broadcasters amended their practices upon the expiration of the waiver even though the NAB status reports did not identify any instance where a broadcaster needed to invoke the waiver.

⁸ That waiver extension would have expired on the sooner of May 27, 2025 or the date on which there was a ruling on the Petition.

automated solution in the more than 13 years since the rule was adopted. For textual emergency information, in contrast, text-to-speech (TTS) technology can be utilized to automate translation of the text into an audio format. NAB contends “that a viable solution” for visual, non-textual emergency information “may not exist for quite some time.” We seek comment on our tentative conclusion that a technical solution for compliance with the Audible Crawl Rule is not currently available and that it is uncertain whether or when such a solution will be possible. Additionally, while AFB and ACB acknowledge that there is not currently a fully automated means of compliance, they “continue to urge NAB to work with the appropriate vendors to investigate solutions that may be achievable with future advances in artificial intelligence capabilities for live audio description of images and videos.” We seek comment on whether the Commission should encourage or require such continued investigations into potential technical solutions in our rules and if so how such elements should be structured.

AFB and ACB “note that the rule does not specifically require automation.” The Bureau has recognized however “that mandating a manual solution could lead some broadcasters . . . to forego the use of non-textual graphic displays altogether” And the Bureau has concluded in the context of granting rule waivers that “a short-term, manual solution that requires station personnel to describe every graphic . . . may be burdensome to broadcasters and may raise its own technical complexities.” Therefore, we tentatively conclude that although the existing rule potentially could be satisfied by means of a manual solution, we should provide the rule amendment NAB requests because interpreting the rule to require a manual solution in every instance could be burdensome, result in additional complexities, and lead some video programming distributors and video programming providers to forego the use of non-textual graphic displays altogether, depriving some viewers of an opportunity to receive such information visually. We seek comment on these matters.

We propose to add the following language after the existing first sentence of § 79.2(b)(2)(ii) of the Commission’s rules: “With regard to visual but non-textual emergency information, this requirement is met if a textual crawl provides emergency information duplicative of or equivalent to the visual but non-textual emergency information, so long as the textual crawl is also

conveyed aurally.” We invite comment on this proposal, which is consistent with the Petition and the existing record. We invite comment on what it means for emergency information to be “duplicative of or equivalent to” the visual but non-textual emergency information. For example, must the same critical details regarding the emergency and how to respond to the emergency be conveyed via either means? AFB and ACB state that, if the emergency information in the textual crawl is not duplicative of that shown in a non-textual visual, “then blind viewers expect to receive the same emergency information as sighted viewers aurally either through the use of the primary audio stream or a secondary audio stream.” Is the requirement that a textual crawl contain information “duplicative of or equivalent to” that contained in the visual image specific enough to instruct stations as to what the rule requires?¹² Are there additional details the Commission should provide in the rule? Should the rule specify both “duplicative of” or “equivalent to,” as NAB proposes? Is there a difference between the phrases “duplicative of” and “equivalent to” that suggests specifying both phrases in the rule?

We invite comment on whether the Commission also should codify certain “best practices” set forth by NAB.¹³ In discussing best practices, NAB states, “stations that choose to display a non-textual graphic about an emergency during regular programming should run text crawls that ‘accurately and effectively convey the critical details regarding the emergency and how to respond to the emergency.’”¹⁴ Should the Commission require the text crawl to accurately and effectively convey the emergency information that was provided visually, or is that qualifier unnecessary if we adopt the proposed language, specifying that the text crawl

must provide emergency information duplicative of or equivalent to that provided via visual but non-textual means? NAB’s best practices also state that “a station should run such text crawls frequently enough to facilitate access to the emergency information in the crawls for individuals who are blind or low vision.” Should the Commission adopt this practice as a requirement to run text crawls “frequently enough to facilitate access” and, if so, what does it mean for a crawl to run “frequently enough to facilitate access”? In the alternative should the Commission adopt a specific threshold for the frequency with which text crawls that are duplicative of visual but non-textual emergency information must air, and if so, what threshold is appropriate? Are there any steps that the Commission should take to ensure that individuals who are blind or visually impaired are consulted in determining best practices, regardless of whether those best practices are codified?

We tentatively conclude that the proposed modification to the Audible Crawl Rule is likely to have multiple benefits. First, we tentatively conclude that codifying this rule change would ensure that video programming distributors and video programming providers continue to provide visual but non-textual emergency information during non-newscast programming. If the existing waiver were to expire and the rule were not modified, video programming distributors and video programming providers might stop providing this emergency information to both individuals who are blind or visually impaired and the public at large. Second, we tentatively conclude that our proposed action would enhance government efficiency and regulatory certainty by modifying an unworkable part of a rule and eliminating the need for multiple successive waivers, and consecutive waiver proceedings, spanning over a decade. In addition to these benefits, we tentatively conclude that the existing record indicates that the proposed modification to the Audible Crawl Rule would have limited, if any, negative impacts. Importantly, we expect the accessibility of emergency information for people who are blind or visually impaired to either improve or remain constant. In addition, we do not expect costs for video programming distributors and video programming providers to increase significantly because the record indicates that stations generally provide text crawls conveyed aurally that would satisfy the proposed rule. We seek comment on this analysis.

¹² We note that the aural version of a textual crawl containing emergency information must be available via the secondary audio stream.

¹³ We believe the most administratively efficient approach in this proceeding is to maintain a narrow focus of the issues subject to consideration. Accordingly, commenters discussing best practices should narrowly focus on issues pertaining to the use of textual crawls that provide emergency information duplicative of or equivalent to non-textual visual emergency information. We do not plan to consider broader issues, for example, the appropriate color contrast for visual emergency information. While we commend NAB’s statement that broadcasters are “encouraged to make sure there is sufficient color contrast in any visual images they choose to display to help individuals who have some measure of sight and may not need an aural representation of the image [to] clearly see what information is being conveyed by the image,” we consider this issue to be outside the scope of the current FNPRM.

¹⁴ The text crawls would be converted to speech.

We tentatively conclude that the proposed modification to the Audible Crawl Rule will best effectuate the CVAA's statutory directive to promulgate regulations that require covered entities "to convey such emergency information in a manner accessible to individuals who are blind or visually impaired." We tentatively find that the proposed rule change is authorized under the CVAA, which neither requires nor suggests a verbatim aural translation of visual but non-textual emergency information. As one commenter, Gray, points out, "[w]hile the CVAA requires emergency information to be disseminated accessibly," there is nothing in the CVAA's statutory language that requires exact parity between the information provided in graphics on screen and that provided over an audio channel. We tentatively find that our modified rule will fulfill the statutory directive by ensuring that individuals who are blind or visually impaired are provided emergency information that is duplicative of or equivalent to visual non-textual emergency information, such as radar maps and other graphics. At the same time, we propose a commonsense approach to our regulation, recognizing that there is not a viable technical compliance solution available at this time. We seek comment on this analysis.

Finally, we seek comment on a non-substantive proposal to eliminate the phrase "beginning May 26, 2015" from the text of the Audible Crawl Rule. That date was more than a decade ago, and we expect that its inclusion in the rule may no longer serve any purpose.

Initial Regulatory Flexibility Analysis. As required by the Regulatory Flexibility Act of 1980, as amended (RFA), the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) of the policies and rules proposed in the Third Further Notice of Proposed Rulemaking (FNPRM) assessing the possible significant economic impact on a substantial number of small entities. The Commission requests written public comments on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments specified on the first page of the FNPRM. The Commission will send a copy of the FNPRM, including the IRFA, to the Chief Counsel for the Small Business Administration (SBA) Office of Advocacy. In summary, the FNPRM proposes to revise the Audible Crawl Rule, which requires video programming providers and distributors to make non-textual visual emergency information provided during non-

newscast programming accessible via a secondary audio stream. The revised rule would provide that the accessibility requirement is met if a textual crawl provides emergency information duplicative of or equivalent to non-textual visual emergency information, so long as the textual crawl is also conveyed aurally. The proposed action is authorized pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010, Public Law 111-260, 124 Stat. 2751, and sections 4(i), 4(j), and 713 of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 154(j), and 613. The types of small entities that may be affected by the proposals contained in the FNPRM fall within the following categories: Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing; Audio and Video Equipment Manufacturing; Motion Picture and Video Production; Motion Picture and Video Distribution; Television Broadcasting Stations; Media Streaming Distribution Services, Social Networks, and Other Media Networks and Content Providers; Wired Telecommunications Carriers; Wireless Telecommunications Carriers (except Satellite); Satellite Telecommunications; Cable/Coax CLEC; CAP/CLEC; Competitive Local Exchange Carriers (CLECs); Incumbent Local Exchange Carriers (Incumbent LECs); Local Exchange Carriers (LECs); Wired Telecommunications Carriers; Radio Stations (AM & FM) Groups; Cable System Operators (Telecom Act Standard) Small Cable Operator; Cable Companies and Systems (Rate Regulation) Small Cable Company; and Cable Companies and Systems (Rate Regulation) Small Cable System (headends).

The projected reporting, recordkeeping, and other compliance requirements are as follows. The FNPRM proposes to revise the Audible Crawl Rule to specify that the requirement that video programming providers and distributors make visual emergency information provided during non-newscast programming accessible via a secondary audio stream is met if a textual crawl provides emergency information duplicative of, or equivalent to, nontextual visual emergency information, so long as the textual crawl is also conveyed aurally. The revised Audible Crawl Rule thus would ease compliance burdens for small and other entities because it would not impose the compliance requirements that currently are not

technically feasible with regard to non-textual visual emergency information.

In the alternative to the proposed rule changes contained in the FNPRM, there are other approaches to ensure that video programming distributors and video programming providers provide an aural representation of visual, non-textual emergency information shown during non-newscast video programming. The first alternative approach would be to allow the Audible Crawl Rule, as it is already codified, to go into effect without any waiver. This occurred while the Petition was pending, and it resulted in broadcasters ceasing the provision of non-textual visual emergency information, until the Media Bureau granted a retroactive waiver extension. Relatedly, the FNPRM considers utilizing a manual solution, and it tentatively concludes that the rule amendment is preferable because requiring a manual solution in every instance may not be possible, could be burdensome to implement, and could lead video programming distributors and video programming providers to forego the use of non-textual graphic displays altogether, depriving some viewers of an opportunity to receive such information visually. The second alternative approach would be to continue the current approach of granting successive waiver requests. Such an approach would unnecessarily burden the petitioners, has the potential to create regulatory uncertainty, and is unjustified given that it does not appear that an automated solution to the issue will be available in the near future. The FNPRM also considers whether the Commission should encourage or require continued investigations into potential technical solutions, and if so how such elements should be structured. Additionally, the FNPRM seeks comment on whether it should codify certain "best practices" set forth by NAB in its Petition.

The proposed action is authorized pursuant to the Twenty-First Century Communications and Video Accessibility Act of 2010, Public Law 111-260, 124 Stat. 2751, and the authority contained in sections 4(i), 4(j), and 713 of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 154(j), and 613.

List of Subjects in 47 CFR Part 79

Cable television operators, Communications equipment, Multichannel video programming distributors (MVPDs), Satellite television service providers, Television broadcasters.

Federal Communications Commission.

Aleta Bowers,

Federal Register Liaison Officer, Office of the Secretary.

Proposed Rules

For the reasons discussed in the preamble, the Federal Communications Commission proposes to amend 47 CFR part 79 as follows:

PART 79—ACCESSIBILITY OF VIDEO PROGRAMMING

■ 1. The authority citation for part 79 continues to read as follows:

Authority: 47 U.S.C. 151, 152(a), 154(i), 303, 307, 309, 310, 330, 544a, 613, 617.

■ 2. Amend § 79.2 by revising paragraph (b)(2)(ii) to read as follows:

§ 79.2 Accessibility of programming providing emergency information.

* * * * *

(b) * * *
(2) * * *

(ii) Emergency information that is provided visually during programming that is neither a regularly scheduled newscast, nor a newscast that interrupts regular programming, must be accompanied with an aural tone, and except as provided in paragraph (b)(6) of this section, must be made accessible to individuals who are blind or visually impaired through the use of a secondary audio stream to provide the emergency information aurally. With regard to visual but non-textual emergency information, this requirement is met if a textual crawl provides emergency information duplicative of or equivalent to the visual but non-textual emergency information, so long as the textual crawl is also conveyed aurally. Emergency information provided aurally on the secondary audio stream must be preceded by an aural tone and must be conveyed in full at least twice. Emergency information provided through use of text-to-speech (“TTS”) technologies must be intelligible and must use the correct pronunciation of relevant information to allow consumers to learn about and respond to the emergency, including, but not limited to, the names of shelters, school districts, streets, districts, and proper names noted in the visual information. The video programming distributor or video programming provider that creates the visual emergency information content and adds it to the programming stream is responsible for providing an aural representation of the information on a secondary audio stream, accompanied by an aural tone. Video programming distributors are responsible for ensuring that the aural

representation of the emergency information (including the accompanying aural tone) gets passed through to consumers.

* * * * *

[FR Doc. 2026–09819 Filed 5–14–26; 8:45 am]

BILLING CODE 6712–01–P

DEPARTMENT OF TRANSPORTATION

Federal Railroad Administration

49 CFR Part 245

[Docket No. FRA–2022–0019, Notice No. 5]

RIN 2130–AD03

Certification of Dispatchers

AGENCY: Federal Railroad Administration (FRA), Department of Transportation (DOT).

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document responds to petitions for reconsideration of FRA’s May 21, 2024 final rule addressing the Certification of Dispatchers. Based on FRA’s review and analysis of the issues raised in the petitions for reconsideration, this document proposes to rescind the final rule.

DATES: Comments on the proposed rule must be received by July 14, 2026. FRA may consider comments received after that date, but only to the extent practicable.

ADDRESSES:

Comments: Comments related to Docket No. FRA–2022–0019 may be submitted by going to <https://www.regulations.gov> and following the online instructions for submitting comments.

Instructions: All submissions must include the agency name, docket number (FRA–2022–0019), and Regulatory Identification Number (RIN) for this rulemaking (2130–AD03). All comments received will be posted without change to <https://www.regulations.gov>; this includes any personal information. Please see the Privacy Act heading in the SUPPLEMENTARY INFORMATION section of this document for Privacy Act information related to any submitted comments or materials.

Docket: For access to the docket to read background documents or comments received, go to <https://www.regulations.gov> and follow the online instructions for accessing the docket.

FOR FURTHER INFORMATION CONTACT: Curtis Dolan, Railroad Safety Specialist,

Dispatch Operating Practices, FRA, telephone: (470) 522–6633, email: curtis.dolan@dot.gov; or Michael C. Spinnicchia, Attorney Adviser, FRA, telephone: (202) 713–7671, email: michael.spinnicchia@dot.gov.

SUPPLEMENTARY INFORMATION:

I. Background

On May 31, 2023, FRA published an NPRM proposing the establishment of dispatcher certification requirements in 49 CFR part 245 (part 245).¹ The NPRM was issued in response to section 402 of the Rail Safety Improvement Act of 2008 (RSIA), Public Law 110–432, 122 Stat. 4848, 4884 (Oct. 16, 2008) (49 U.S.C. 20162 note), which required the Secretary of Transportation (Secretary) to submit a report to Congress addressing whether certification of “certain crafts or classes” of railroad employees or contractors, including railroad dispatchers, was necessary to “reduce the number and rate of accidents and incidents or to improve railroad safety.” If the Secretary determined it was necessary to require the certification of certain crafts or classes to improve railroad safety, section 402 of the RSIA stated the Secretary *may* prescribe such regulations. On November 4, 2015, the Secretary submitted a report to Congress stating that, based on FRA’s preliminary research, dispatchers were one of the most viable crafts for certification.²

FRA published a final rule on May 21, 2024, requiring railroads to develop written programs for certifying individuals who work as dispatchers on their territories and to submit those written certification programs to FRA for approval prior to implementation.³ Under this rule, railroads are required to have formal processes for training prospective dispatchers, as well as verifying that each dispatcher has the requisite knowledge, skills, safety record, and abilities to perform all of the safety-related dispatcher duties mandated by Federal laws and regulations, prior to certification. In addition, railroads are required to have formal processes for revoking certification for dispatchers who violate specified minimum requirements.

This rule requires all Class I railroads (including the National Railroad Passenger Corporation (Amtrak)) and railroads providing commuter service to submit their certification programs to FRA by March 17, 2025.⁴ Class II and

¹ 88 FR 35574 (May 31, 2023).

² FRA–2022–0019–0001.

³ 89 FR 44766 (May 21, 2024).

⁴ 49 CFR 245.103(a)(1).

Class III railroads have until November 12, 2025 to submit their programs to FRA under the current rule.⁵ Any railroad that commences dispatching operations after July 22, 2024 (the effective date of the final rule), must submit its dispatcher certification program to, and obtain approval from, FRA prior to commencing dispatching operations.⁶ Furthermore, as of March 17, 2025, railroads are not allowed to permit or require that a person perform service as a dispatcher unless such person is certified through the designation system described in 49 CFR 245.105(c)–(d).⁷

On July 12, 2024, the Association of American Railroads (AAR), the American Short Line and Regional Railroad Association (ASLRRA), and the Commuter Rail Coalition (CRC) filed timely petitions for reconsideration of the Dispatcher Certification final rule.⁸ Subsequently, on August 6, 2024, the American Public Transportation Association (APTA) submitted a letter urging FRA to extend the deadline for commuter railroads to submit their certification programs.⁹ This letter was not submitted by the deadline for submitting petitions for reconsideration. However, FRA is treating APTA's letter as a petition for reconsideration.

FRA issued a response to these petitions for reconsideration on January 17, 2025. The response stated that FRA was granting APTA's petition and would initiate a rulemaking to extend the deadlines for all railroads to submit their dispatcher certification program to FRA by six months. The response also stated FRA's intent to grant in part and deny in part AAR, ASLRRA, and CRC's petitions.¹⁰

On February 6, 2025, representatives from AAR, ASLRRA, and CRC met with FRA to discuss their concerns with part 245 which they raised in their petitions for reconsideration.¹¹ On March 14, 2025, FRA issued a follow-up letter to its initial response to the petitions

where it announced its intention to initiate a rulemaking to extend the compliance dates in part 245 by one year, rather than the six months considered previously. The letter also stated that FRA would not take enforcement action against railroads for failing to meet the current deadlines in part 245. In addition, the letter stated that, after further consideration, and consistent with Executive Order (E.O.) 14219, Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative,¹² FRA was reopening its review and analysis of the issues raised in the petitions.¹³

In this NPRM, FRA is proposing to rescind part 245 in its entirety. While FRA is undertaking this rulemaking to rescind part 245 in its entirety, it will place on hold its review of any dispatcher certification programs it has received or will receive during the pendency of this rulemaking. In addition, during the pendency of this rulemaking, FRA will continue to exercise its enforcement discretion and will not take enforcement action based on the current deadlines found in 49 CFR 245.103(a)–(b) and 245.105(c)–(e).

II. Section-by-Section Analysis

As noted above, FRA received petitions for reconsideration of the May 21, 2024 final rule on dispatcher certification from AAR, ASLRRA, CRC, and APTA. These petitions asked FRA to revise part 245 to address a range of concerns presented by the final rule. For example, CRC requested that part 245 be amended to allow contractors to certify dispatchers because: (1) part 245 places the obligations of certification on parties that do not have the necessary resources or expertise to certify dispatchers, such as small commuter railroads; (2) contractors are in a better position to track, monitor, and keep records related to their employees; and (3) requiring multiple railroads to carry out the same task would lead to duplicative work and could result in different railroads reaching different conclusions about the same individual.¹⁴ ASLRRA's petition expressed concern that the requirement that railroads provide each certified dispatcher with at least one unannounced compliance test each year would result in an inefficient waste of resources. Because many short line railroads use the same contractor(s) for dispatching services, ASLRRA asserted that dozens of railroads would have to certify the same individual and these

dispatchers would have to spend numerous days each year on operational testing.¹⁵ AAR raised concerns that part 245 did not provide a definitive timeline for when FRA would issue decisions approving or disapproving a railroad's certification programs. AAR contended such potential delays could create confusion and make it impossible for railroads to plan for implementation of their certification programs, which would ultimately affect railroads' ability to hire, train, and qualify new dispatchers.¹⁶

In addition, AAR expressed concerns about the estimated costs of part 245 being greater than the estimated benefits.¹⁷ FRA estimated the costs and benefits of the 2024 final rule and determined the total 10-year costs were estimated to be \$5.4 million (Present Value (PV), 7 percent), and total 10-year benefits were estimated to be \$0.6 million (PV, 7 percent). Net costs of the 2024 rule were estimated to be \$4.8 million (PV, 7 percent) and annualized net costs were estimated to be \$0.7 million (PV, 7 percent).

Lastly, the petitions raised issues regarding changes in ownership for short line railroads and the rule's definition of a "material modification." Regarding ownership changes, ASLRRA noted that short line railroads change ownership more frequently than Class I railroads and would be affected adversely by § 245.103(b). Specifically, ASLRRA alleged that a railroad with a program approved previously may have to stop operations if there is a change in ownership while it resubmits its program and waits for FRA approval, which would result in an unnecessary disruption to railroad operations.¹⁸ AAR contended that FRA's definition of "material modification" was overbroad and should only apply to significant content-based changes to a railroad's program. AAR noted that the burden of getting minor adjustments to a program approved by FRA would discourage railroads from investing in new ways to train their dispatchers and from making other changes to enhance their programs.¹⁹

All four petitions for reconsideration are available to the public in the docket for this rulemaking which can be found at <https://www.regulations.gov>.²⁰ FRA welcomes comments from the public on

⁵ 49 CFR 245.103(a)(2).

⁶ 49 CFR 245.103(b).

⁷ 49 CFR 245.105(e). FRA is exercising its enforcement discretion and not taking enforcement action on the current deadlines found in 49 CFR 245.103(a)–(b) and 245.105(c)–(e).

⁸ FRA–2022–0019–0048; FRA–2022–0019–0050; FRA–2022–0019–0047. ASLRRA endorsed AAR and CRC's petitions. CRC endorsed AAR and ASLRRA's petitions. AAR endorsed ASLRRA and CRC's petitions with respect to the issue of allowing contractors to certify dispatchers.

⁹ FRA–2022–0019–0049.

¹⁰ FRA–2022–0019–0055.

¹¹ A record of this meeting was placed in the docket for this rulemaking on [regulations.gov](https://www.regulations.gov). FRA–2022–0019–0056. At this meeting, AAR, ASLRRA, and CRC presented a PowerPoint presentation which can also be found in the rulemaking docket on [regulations.gov](https://www.regulations.gov). FRA–2022–0019–0057.

¹² 90 FR 10583 (Feb. 25, 2025).

¹³ FRA–2022–0019–0058.

¹⁴ FRA–2022–0019–0047.

¹⁵ FRA–2022–0019–0050.

¹⁶ FRA–2022–0019–0048.

¹⁷ FRA–2022–0019–0048.

¹⁸ FRA–2022–0019–0050.

¹⁹ FRA–2022–0019–0048.

²⁰ FRA–2022–0019–0047; FRA–2022–0019–0048; FRA–2022–0019–0049; FRA–2022–0019–0050.

any of the issues raised in these petitions.

Based on FRA's review of these issues raised in the petitions for reconsideration, and in accordance with E.O. 14219, FRA has concluded preliminarily that rescission of the 2024 final rule in its entirety is warranted because the expected benefits do not justify the expected costs. In the 2024 final rule, FRA discussed unquantified safety benefits relating to "accident clean up, third party property damage, lost lading, environmental damage, loss of economic activity to the community, and train delays." FRA is requesting public comment or additional information on these unquantified safety benefits. FRA's proposal to rescind part 245 in its entirety would eliminate all the issues and concerns that were raised in the petitions for reconsideration and would eliminate the estimated costs associated with the 2024 final rule.

While FRA has the statutory authority to issue regulations requiring dispatcher certification, it is not obligated to issue such regulations. Specifically, the RSIA provides that "[t]he Secretary *may* prescribe regulations requiring the certification of certain crafts or classes of employees that the Secretary determines . . . are necessary to reduce

the number and rate of accidents and incidents or to improve railroad safety." ²¹ Because this statute is permissive with respect to establishing additional certification requirements for railroad crafts other than locomotive engineers and conductors, FRA is under no statutory obligation to require the certification of dispatchers. Indeed, given the above preliminary determination that rescission of the 2024 rule is warranted because the expected benefits do not justify the expected costs, it is in the interest of the public for FRA to decline to require certification of dispatchers.

For the reasons stated above, FRA proposes to rescind part 245 in its entirety. If FRA issues a final rule that rescinds part 245, FRA will continue to gather data on this issue and may reassess in the future whether certification requirements for dispatchers are warranted. Alternatively, if, after review of any comments received in response to this NPRM, FRA decides not to rescind this rule in its entirety, FRA proposes to extend the compliance dates for this rule to provide railroads with additional time to come into compliance with part 245. The proposed extension could be for a period of approximately six to twelve months from the effective date of

a new final rule and would provide the regulated community assurance that they would not be liable for noncompliance with the existing regulation, should FRA ultimately determine not to finalize the rescission of part 245.

III. Regulatory Impact and Notices

A. Executive Order 12866 (Regulatory Planning and Review) and DOT Regulatory Policies and Procedures

FRA has considered the impact of this NPRM under E.O. 12866 (58 FR 51735, Oct. 4, 1993), Regulatory Planning and Review, and DOT Regulatory Policies and Procedures. The Office of Management and Budget (OMB) Office of Information and Regulatory Affairs determined that this NPRM is not a significant regulatory action under section 3(f) of E.O. 12866.

FRA is proposing to rescind the May 21, 2024 final rule addressing the Certification of Dispatchers. FRA has analyzed the potential costs and benefits of this proposed rule.

In the 2024 final rule, FRA estimated 10-year costs of \$5.4 million (PV, 7 percent). If FRA finalizes the proposed rescission of that final rule, those costs would become a cost savings. Table 1 shows the total 10-year cost savings of this proposed rule.

TABLE 1—TOTAL 10-YEAR COST SAVINGS
[2020 Dollars]

10-Year cost savings (\$)	Present value 7% (\$)	Present value 3% (\$)	Annualized 7% (\$)	Annualized 3% (\$)
6,973,560	5,414,022	6,214,626	770,835	728,544

In the 2024 final rule, FRA estimated 10-year benefits of \$0.6 million (PV, 7 percent), which would no longer be realized if the 2024 final rule is rescinded.

FRA recognizes there may be some railroads who may have begun to comply with the 2024 final rule and therefore, incurred costs. However, FRA expects that the cost savings that would be realized from rescinding the 2024 rule ultimately are greater than the foregone safety benefits.

B. Executive Order 14192 (Unleashing Prosperity Through Deregulation)

E.O. 14192 (90 FR 9065, Jan. 31, 2025), Unleashing Prosperity Through Deregulation, requires that for "each

new [E.O. 14192 regulatory action] issued, at least ten prior regulations be identified for elimination." ²² Implementation guidance for E.O. 14192 issued by OMB (Memorandum M–25–20, Mar. 26, 2025) defines two different types of E.O. 14192 actions: an E.O. 14192 deregulatory action, and an E.O. 14192 regulatory action. ²³

An E.O. 14192 deregulatory action is defined as "an action that has been finalized and has total costs less than zero." This proposed rule, if finalized as proposed, is expected to have total costs less than zero or negligible costs, and therefore it would be considered an E.O. 14192 deregulatory action. The rescission of the 2024 final rule is expected to result in an estimated 10-

year cost savings of \$5.4 million, discounted at 7 percent.

C. Regulatory Flexibility Act and Executive Order 13272

The Regulatory Flexibility Act ((RFA), 5 U.S.C. 601 *et seq.*), as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996, ²⁴ and E.O. 13272 (67 FR 53461, Aug. 16, 2002) require agency review of proposed and final rules to assess their impacts on small entities. When an agency issues a rulemaking proposal, the RFA requires the agency to "prepare and make available for public comment an initial regulatory flexibility analysis" which will "describe the impact of the proposed rule on small entities." ²⁵

²¹ RSIA, section 402 (*emphasis added*).

²² Executive Office of the President. *Executive Order 14192 of January 31, 2025. Unleashing Prosperity Through Deregulation*. 90 FR 9065–9067. Feb. 6, 2025.

²³ Executive Office of the President. OMB. *Guidance Implementing Section 3 of Executive Order 14192, Titled "Unleashing Prosperity Through Deregulation."* Memorandum M–25–20. Mar. 26, 2025.

²⁴ Public Law 104–121, 110 Stat. 857 (Mar. 29, 1996).

²⁵ 5 U.S.C. 603(a).

Section 605 of the RFA allows an agency to certify a rule, in lieu of preparing an analysis, if the rulemaking is not expected to have a significant economic impact on a substantial number of small entities.

FRA certified that the 2024 final rule for Certification of Dispatchers²⁶ will not have a significant economic impact on a substantial number of small entities. Although this proposed rule, which would rescind that final rule, would impact a substantial number of small entities, it would provide a positive impact by removing all requirements related to certification of dispatchers. FRA recognizes there may be some small entities who may have begun to comply with the 2024 final rule and therefore, incurred costs. However, FRA expects that the cost savings realized from rescinding this rule would be greater than any potential safety benefits. Therefore, this proposed rule would not have a significant impact on a substantial number of small entities, and FRA expects to certify that this rule would not have a significant economic impact on a substantial number of small entities.

In accordance with section 213(a) of SBREFA (Pub. L. 104–121, 110 Stat. 857), FRA wants to assist small entities in understanding this proposed rule so they can better evaluate its effects on themselves and participate in the rulemaking initiative. If the proposed rule would affect your small business, organization, or governmental jurisdiction and you have questions concerning its provisions or options for compliance, please consult the person listed under **FOR FURTHER INFORMATION CONTACT**.

D. Paperwork Reduction Act

There is no new collection of information requirements contained in this proposed rule and, in accordance with the Paperwork Reduction Act of 1995, 44 U.S.C. 3501 *et seq.*, an information collection submission to OMB is not required. The recordkeeping and reporting requirements already contained in the 2024 Certification of Dispatchers final rule, 89 FR 44766 (May 21, 2024), were approved by OMB on June 6, 2024. With the proposed rescission of this rule, FRA intends to discontinue the associated information collection, OMB Control No. 2130–0637, when a final rule is published.

E. Environmental Assessment

FRA has analyzed this proposed rule for the purposes of the National Environmental Policy Act of 1969

(NEPA). In accordance with 42 U.S.C. 4336 and DOT NEPA Order 5610.1D, FRA has determined that this rule is categorically excluded pursuant to 23 CFR 771.116(c)(15). This rulemaking is not anticipated to result in any environmental impacts, and there are no unusual or extraordinary circumstances present in connection with this rulemaking.

F. Federalism Implications

This proposed rule will not have a substantial effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Thus, in accordance with E.O. 13132, “Federalism” (64 FR 43255, Aug. 10, 1999), preparation of a Federalism Assessment is not warranted.

G. Unfunded Mandates Reform Act of 1995

This proposed rule would not result in the expenditure, in the aggregate, of \$100,000,000 or more, adjusted for inflation, in any one year by State, local, or Indian Tribal governments, or the private sector. Thus, consistent with section 202 of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104–4, 2 U.S.C. 1532), FRA is not required to prepare a written statement detailing the effect of such an expenditure.

H. Energy Impact

E.O. 13211 requires Federal agencies to prepare a Statement of Energy Effects for any “significant energy action.”²⁷ FRA has evaluated this proposed rule in accordance with E.O. 13211 and determined that this proposed rule is not a “significant energy action” within the meaning of E.O. 13211.

I. Executive Order 13175 (Tribal Consultation)

FRA has evaluated this proposed rule in accordance with the principles and criteria contained in E.O. 13175, Consultation and Coordination with Indian Tribal Governments (Nov. 6, 2000). The proposed rule would not have a substantial direct effect on one or more Indian tribes, would not impose substantial direct compliance costs on Indian tribal governments, and would not preempt tribal laws. Therefore, the funding and consultation requirements of E.O. 13175 do not apply, and a tribal summary impact statement is not required.

J. International Trade Impact Assessment

The Trade Agreement Act of 1979²⁸ prohibits Federal agencies from engaging in any standards or related activities that create unnecessary obstacles to the foreign commerce of the U.S. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles. The statute also requires consideration of international standards and where appropriate, that they be the basis for U.S. standards. This rulemaking is purely domestic in nature and is not expected to affect trade opportunities for U.S. firms doing business overseas or for foreign firms doing business in the United States.

K. Privacy Act Statement

In accordance with 5 U.S.C. 553(c), DOT solicits comments from the public to better inform its rulemaking process. DOT posts these comments, without edit, to <http://www.regulations.gov>, as described in the system of records notice, DOT/ALL–14 FDMS, accessible through www.transportation.gov/privacy. To facilitate comment tracking and response, we encourage commenters to provide their name, or the name of their organization; however, submission of names is completely optional. Whether or not commenters identify themselves, all timely comments will be considered. If you wish to provide comments containing proprietary or confidential information, please contact the agency for alternate submission instructions.

L. Rulemaking Summary

As required by 5 U.S.C. 553(b)(4), a summary of this rule can be found at www.regulations.gov, Docket No. FRA–2022–0019, in the **SUMMARY** section of this proposed rule.

List of Subjects in 49 CFR Part 245

Administrative practice and procedure, Dispatcher, Penalties, Railroad employees, Railroad operating procedures, Railroad safety, Reporting and recordkeeping requirements.

PART 245—[REMOVED]

■ For the reasons stated in the preamble, under the authority of E.O. 14219 and 49 U.S.C. 20103, FRA proposes to remove 49 CFR part 245.

Issued in Washington, DC.

David A. Fink,
Administrator.

[FR Doc. 2026–09791 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–06–P

²⁶ 89 FR 44766, 44797 (May 21, 2024).

²⁷ 66 FR 28355 (May 22, 2001).

²⁸ 19 U.S.C. ch. 13.

DEPARTMENT OF TRANSPORTATION**Federal Railroad Administration****49 CFR Part 246**

[Docket No. FRA–2022–0020, Notice No. 5]

RIN 2130–AD04

Certification of Signal Employees

AGENCY: Federal Railroad Administration (FRA), Department of Transportation (DOT).

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document responds to petitions for reconsideration of FRA's May 21, 2024 final rule addressing the Certification of Signal Employees. Based on FRA's review and analysis of the issues raised in the petitions for reconsideration, this document proposes to rescind the final rule.

DATES: Written comments on the proposed rule must be received by July 14, 2026. FRA may consider comments received after that date, but only to the extent practicable.

ADDRESSES:

Comments: Comments related to Docket No. FRA–2022–0020 may be submitted by going to <https://www.regulations.gov> and following the online instructions for submitting comments.

Instructions: All submissions must include the agency name, docket number (FRA–2022–0020), and Regulatory Identification Number (RIN) for this rulemaking (2130–AD04). All comments received will be posted without change to <https://www.regulations.gov>; this includes any personal information. Please see the Privacy Act heading in the **SUPPLEMENTARY INFORMATION** section of this document for Privacy Act information related to any submitted comments or materials.

Docket: For access to the docket to read background documents or comments received, go to <https://www.regulations.gov> and follow the online instructions for accessing the docket.

FOR FURTHER INFORMATION CONTACT: Cory Johnson, Railroad Safety Specialist, Signal, Train Control, and Crossings Division, FRA, telephone: (701) 516–6594, email: cory.johnson@dot.gov; or Kathryn Gresham, Attorney Adviser, FRA, telephone: (202) 577–7142, email: kathryn.gresham@dot.gov.

SUPPLEMENTARY INFORMATION:**I. Background**

On May 31, 2023, FRA published an NPRM proposing the establishment of signal employee certification requirements in 49 CFR part 246 (part 246).¹ The NPRM was issued in response to section 402 of the Rail Safety Improvement Act of 2008 (RSIA) Public Law 110–432, 122 Stat. 4848, 4884 (Oct. 16, 2008) (49 U.S.C. 20162 note), which required the Secretary of Transportation (Secretary) to submit a report to Congress addressing whether certification of “certain crafts or classes” of railroad employees or contractors, including signal repair and maintenance employees, was necessary to “reduce the number and rate of accidents and incidents or to improve railroad safety.” If the Secretary determined it was necessary to require the certification of certain crafts or classes to improve railroad safety, section 402 of the RSIA stated the Secretary *may* prescribe such regulations. On November 4, 2015, the Secretary submitted a report to Congress stating that, based on FRA's preliminary research, signal-repair employees were one of the most viable railroad crafts for certification.²

FRA published a final rule on May 21, 2024, (“2024 final rule”) requiring railroads to develop written programs for certifying signal employees who work on signal systems and signal-related technology on their networks.³ Under this rule, railroads are required to have formal processes for training signal employees, as well as verifying that each signal employee has the requisite knowledge, skills, safety record, and abilities to perform all of the safety-related signal employee duties mandated by Federal laws and regulations prior to certification. In addition, railroads are required to have formal processes for revoking certification for signal employees who violate specified minimum requirements.

This rule requires all Class I railroads (including the National Railroad Passenger Corporation (Amtrak)) and railroads providing commuter service to submit their signal employee certification programs to FRA by March 17, 2025.⁴ Class II and Class III railroads have until November 12, 2025 to submit their signal employee certification programs to FRA under the current rule.⁵ Any railroad that commences operations after July 22, 2024 (the

effective date of the final rule) must submit its signal employee certification program to, and obtain approval from, FRA prior to installing, implementing, or operating a signal system subject to part 246.⁶ Furthermore, as of March 17, 2025, railroads are not allowed to permit or require that a person perform service as a certified signal employee unless such person is certified through the designation system described in 49 CFR 246.105(c)–(d).⁷

On July 12, 2024, the Association of American Railroads (AAR), the American Short Line and Regional Railroad Association (ASLRRA), and the Commuter Rail Coalition (CRC) filed timely petitions for reconsideration of the Signal Employee Certification final rule.⁸ Subsequently, on August 6, 2024, the American Public Transportation Association (APTA) submitted a letter urging FRA to extend the deadline for commuter railroads to submit their certification programs.⁹ This letter was not submitted by the deadline for submitting petitions for reconsideration. However, FRA is treating APTA's letter as a petition for reconsideration.

FRA issued a response to these petitions for reconsideration on January 17, 2025. The response stated that FRA was granting APTA's petition and would initiate a rulemaking to extend the deadlines for all railroads to submit their signal employee certification program to FRA by six months. The response also stated FRA's intent to grant in part and deny in part AAR, ASLRRA, and CRC's petitions.¹⁰

On February 6, 2025, representatives from ASLRRA, AAR, and CRC met with FRA to discuss their concerns with part 246 which they raised in their petitions for reconsideration.¹¹ On March 14, 2025, FRA issued a follow-up letter to its January 17, 2025 response to the petitions for reconsideration and announced its intention to initiate a rulemaking to extend certain compliance dates in part 246 by one year, rather than the six months considered previously. The letter also stated that FRA would not take

⁶ 49 CFR 246.103(b).

⁷ 49 CFR 246.105(e). FRA is exercising its enforcement discretion and not taking enforcement action on the current deadlines in 49 CFR 246.103(a)–(b) and 246.105(c)–(e).

⁸ FRA–2022–0020–0040, FRA–2022–0020–0042, and FRA–2022–0020–0039. ASLRRA endorsed AAR and CRC's petitions. CRC endorsed AAR and ASLRRA's petitions. AAR endorsed ASLRRA and CRC's petitions with respect to the issue of allowing contractors to certify signal employees.

⁹ FRA–2022–0020–0041.

¹⁰ FRA–2022–0020–0047.

¹¹ A record of this meeting was placed in the docket for this rulemaking on [regulations.gov](https://www.regulations.gov). FRA–2022–0020–0048.

¹ 88 FR 35632 (May 31, 2023).

² FRA–2022–0020–0001.

³ 89 FR 44830 (May 21, 2024).

⁴ 49 CFR 246.103(a)(1).

⁵ 49 CFR 246.103(a)(2).

enforcement action against railroads for failing to meet the current deadlines in part 246. In addition, the letter stated that, after further consideration, and consistent with Executive Order (E.O.) 14219, Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Derogatory Initiative,¹² FRA was reopening its review and analysis of the issues raised in the petitions.¹³

In this NPRM, FRA is proposing to rescind part 246 in its entirety. While FRA is undertaking this rulemaking to rescind part 246 in its entirety, it will place on hold its review of any signal employee certification programs it has received or will receive during the pendency of this rulemaking. In addition, during the pendency of this rulemaking, FRA will continue to exercise its enforcement discretion and will not take enforcement action based on the current deadlines in 49 CFR 246.103(a)–(b) and 246.105(c)–(e).

II. Section-by-Section Analysis

As noted above, FRA received petitions for reconsideration of the 2024 final rule from AAR, ASLRRA, CRC, and APTA. These petitions asked FRA to revise part 246 to address a range of concerns presented by the final rule. For example, CRC requested that part 246 be amended to allow contractors to certify signal employees because: (1) part 246 places the obligations of certification on parties that do not have the necessary resources or expertise to certify signal employees, such as small commuter railroads; (2) contractors are in a better position to track, monitor, and keep records related to their employees; and (3) requiring multiple railroads to carry out the same task would lead to duplicative work and could result in different railroads reaching different conclusions about the same individual.¹⁴ ASLRRA's petition expressed concern that the requirement that railroads provide each certified signal employee with at least one unannounced compliance test each year would result in an inefficient waste of resources. Because many short line railroads utilize the same contractor(s), ASLRRA asserted that dozens of railroads would have to certify the same individual and these contract signal employees would have to spend numerous days each year on operational testing.¹⁵ AAR expressed concern that part 246 does not provide a definitive timeline for when FRA would issue

decisions approving or disapproving railroad signal employee certification programs. AAR contended potential delays could create confusion and make it impossible for railroads to plan for implementation of their certification programs, which ultimately would affect railroads' ability to hire, train, and qualify new signal employees.¹⁶

With respect to the rule's definition of "signal employee" in 49 CFR 246.7, CRC's petition expressed concern that the definition could be interpreted to include a broad swath of employees, which would make compliance with part 246 impracticable, impossible, unreasonable, and not in the public interest.¹⁷ AAR's petition noted that the definition of "signal employee" does not align with the statutory definition of "signal employee" in the federal hours of service law (49 U.S.C. 21101(4)). AAR contended that this misalignment results in unnecessary confusion in determining who is covered by part 246.¹⁸

AAR's petition also expressed concern that the rule's definition of "signal system" in 49 CFR 246.7 exceeds the statutory definition of this term in 49 U.S.C. 20501 and improperly includes components that are in non-signalized territory, that are not integrated with signal or train control systems, and that are not otherwise connected to signal or train control systems.¹⁹

In addition, AAR expressed concern about the estimated costs of part 246 being greater than the estimated benefits.²⁰ FRA estimated the costs and benefits of the 2024 final rule and determined the total 10-year costs were estimated to be \$9.4 million (Present Value (PV), 7 percent), and total 10-year benefits were estimated to be \$2.9 million (PV, 7 percent). Net costs of the 2024 final rule were estimated to be \$6.5 million (PV, 7 percent) and annualized net costs were estimated to be \$0.9 million (PV, 7 percent).

Lastly, the petitions raised issues regarding changes in ownership for short line railroads and the rule's definition of a "material modification." Regarding ownership changes, ASLRRA noted that short line railroads change ownership more frequently than Class I railroads and would be adversely affected by § 246.103(b). Specifically, ASLRRA alleged that a railroad with a program approved previously may have to stop operations if there is a change in ownership while it resubmits its

program and waits for FRA approval, which would result in an unnecessary disruption to railroad operations.²¹ AAR contended that FRA's definition of "material modification" was overbroad and should only apply to significant content-based changes to a railroad's program. AAR noted that the burden of getting minor adjustments to a program approved by FRA would discourage railroads from investing in new ways to train their employees and from making other changes to enhance their programs.²²

All four petitions for reconsideration are available to the public in the docket for this rulemaking which can be found at <https://www.regulations.gov>.²³ FRA welcomes comments from the public on any of the issues raised in these petitions.

Based on FRA's review of these issues raised in the petitions for reconsideration, and in accordance with E.O. 14219, FRA has concluded preliminarily that rescission of the 2024 final rule in its entirety is warranted because the expected benefits do not justify the expected costs. In the 2024 final rule, FRA discussed unquantified safety benefits relating to "accident clean up, third party property damage, lost lading, environmental damage, loss of economic activity to the community, and train delays." FRA is requesting public comment or additional information on these unquantified safety benefits. FRA's proposal to rescind part 246 in its entirety would eliminate all the issues and concerns that were raised in the petitions for reconsideration and would eliminate the estimated costs associated with the 2024 final rule.

While FRA has the statutory authority to issue regulations requiring signal employee certification, it is not obligated to issue such regulations. Specifically, the RSIA provides that "[t]he Secretary *may* prescribe regulations requiring the certification of certain crafts or classes of employees that the Secretary determines . . . are necessary to reduce the number and rate of accidents and incidents or to improve railroad safety."²⁴ Since this statute is permissive with respect to establishing additional certification requirements for railroad crafts other than locomotive engineers and conductors, FRA is under no statutory obligation to require the certification of signal employees. Indeed, given the above preliminary

¹² 90 FR 10583 (Feb. 19, 2025).

¹³ FRA–2022–0020–0049.

¹⁴ FRA–2022–0020–0039.

¹⁵ FRA–2022–0020–0042.

¹⁶ FRA–2022–0020–0040.

¹⁷ FRA–2022–0020–0039.

¹⁸ FRA–2022–0020–0040.

¹⁹ FRA–2022–0020–0040.

²⁰ FRA–2022–0020–0040.

²¹ FRA–2022–0020–0042.

²² FRA–2022–0020–0040.

²³ FRA–2022–0020–0039; FRA–2022–0020–0040; FRA–2022–0020–0041; FRA–2022–0020–0042.

²⁴ RSIA, sec. 402 (*emphasis added*).

determination that rescission of the 2024 rule is warranted because the expected benefits do not justify the expected costs, it is in the interest of the public for FRA to decline to require certification of signal employees.

For the reasons stated above, FRA proposes to rescind part 246 in its entirety. If FRA issues a final rule that rescinds part 246, FRA will continue to gather data on this issue and may reassess in the future whether certification requirements for signal employees are warranted. Alternatively, if FRA decides not to rescind this rule in its entirety, FRA proposes to extend the compliance dates for this rule to provide railroads with additional time to come into compliance with part 246.

The proposed extension could be for a period of approximately six to twelve months from the effective date of a new final rule and would provide the regulated community assurance that they would not be liable for noncompliance with the existing regulation, should FRA determine not to finalize the rescission of part 246.

III. Regulatory Impact and Notices

A. Executive Order 12866 (Regulatory Planning and Review) and DOT Regulatory Policies and Procedures

FRA has considered the impact of this NPRM under E.O. 12866 (58 FR 51735, Oct. 4, 1993), Regulatory Planning and Review, and DOT Regulatory Policies

and Procedures. The Office of Management and Budget (OMB) Office of Information and Regulatory Affairs determined that this NPRM is not a significant regulatory action under section 3(f) of E.O. 12866.

FRA is proposing to rescind the May 21, 2024 final rule addressing the Certification of Signal Employees. FRA has analyzed the potential costs and benefits of this proposed rule.

In the 2024 final rule, FRA estimated 10-year costs of \$9.4 million (PV, 7 percent). If FRA finalizes the proposed rescission of that final rule, those costs would become a cost savings. Table 1 shows the total 10-year cost savings of this proposed rule.

TABLE 1—TOTAL 10-YEAR COST SAVINGS
[2020 Dollars]

10-Year cost savings (\$)	Present value 7% (\$)	Present value 3% (\$)	Annualized 7% (\$)	Annualized 3% (\$)
12,178,832	9,386,306	10,821,350	1,336,399	1,268,592

In the 2024 final rule, FRA estimated 10-year benefits of \$2.9 million (PV, 7 percent), which would no longer be realized if the 2024 final rule is rescinded.

FRA recognizes there may be some railroads who may have begun to comply with the 2024 final rule and therefore, incurred costs. However, FRA expects that the cost savings that would be realized from rescinding the 2024 rule ultimately are greater than the foregone safety benefits.

B. Executive Order 14192 (Unleashing Prosperity Through Deregulation)

E.O. 14192 (90 FR 9065, Jan. 31, 2025), Unleashing Prosperity Through Deregulation, requires that for “each new [E.O. 14192 regulatory action] issued, at least ten prior regulations be identified for elimination.”²⁵ Implementation guidance for E.O. 14192 issued by OMB (Memorandum M–25–20, Mar. 26, 2025) defines two different types of E.O. 14192 actions: an E.O. 14192 deregulatory action, and an E.O. 14192 regulatory action.²⁶

An E.O. 14192 deregulatory action is defined as “an action that has been finalized and has total costs less than zero.” This proposed rule, if finalized as

proposed, is expected to have total costs less than zero or negligible costs, and therefore it would be considered an E.O. 14192 deregulatory action. The rescission of the 2024 final rule is expected to result in an estimated 10-year cost savings of \$9.4 million, discounted at 7 percent.

C. Regulatory Flexibility Act and Executive Order 13272

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, as amended by the Small Business Regulatory Enforcement Fairness Act of 1996,²⁷ and E.O. 13272 (67 FR 53461, Aug. 16, 2002) require agency review of proposed and final rules to assess their impacts on small entities. When an agency issues a rulemaking proposal, the RFA requires the agency to “prepare and make available for public comment an initial regulatory flexibility analysis” which will “describe the impact of the proposed rule on small entities.”²⁸ Section 605 of the RFA allows an agency to certify a rule, in lieu of preparing an analysis, if the rulemaking is not expected to have a significant economic impact on a substantial number of small entities.

FRA certified that the 2024 final rule for Certification of Signal Employees²⁹ will not have a significant economic impact on a substantial number of small

entities. Although this proposed rule, which would rescind that final rule, would impact a substantial number of small entities, it would provide a positive impact by removing all requirements related to certification of signal employees. FRA recognizes there may be some small entities who may have begun to comply with the 2024 final rule and therefore, incurred costs. However, FRA expects that the cost savings realized from rescinding this rule would be greater than any potential safety benefits. This proposed rule would not therefore have a significant impact on a substantial number of small entities and FRA expects to certify that this rule would not have a significant economic impact on a substantial number of small entities.

In accordance with section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121, 110 Stat. 857), FRA wants to assist small entities in understanding this proposed rule so they can better evaluate its effects on themselves and participate in the rulemaking initiative. If the proposed rule would affect your small business, organization, or governmental jurisdiction and you have questions concerning its provisions or options for compliance, please consult the person listed under **FOR FURTHER INFORMATION CONTACT**.

D. Paperwork Reduction Act

There is no new collection of information requirements contained in this proposed rule and, in accordance

²⁵ Executive Office of the President. *Executive Order 14192 of January 31, 2025. Unleashing Prosperity Through Deregulation*. 90 FR 9065–9067. Feb. 6, 2025.

²⁶ Executive Office of the President. OMB. *Guidance Implementing Section 3 of Executive Order 14192, Titled “Unleashing Prosperity Through Deregulation.”* Memorandum M–25–20. Mar. 26, 2025.

²⁷ Public Law 104–121, 110 Stat. 857 (Mar. 29, 1996).

²⁸ 5 U.S.C. 603(a).

²⁹ 89 FR 44830, 44865 (May 21, 2024).

with the Paperwork Reduction Act of 1995, 44 U.S.C. 3501 *et seq.*, an information collection submission to OMB is not required. The recordkeeping and reporting requirements already contained in the 2024 Certification of Signal Employees final rule³⁰ were approved by OMB on June 6, 2024. With the proposed rescission of this rule, FRA intends to discontinue the associated information collection, OMB Control No. 2130–0638, when a final rule is published.

E. Environmental Assessment

FRA has analyzed this proposed rule for the purposes of the National Environmental Policy Act of 1969 (NEPA). In accordance with 42 U.S.C. 4336 and DOT NEPA Order 5610.1D, FRA has determined that this rule is categorically excluded pursuant to 23 CFR 771.116(c)(15). This rulemaking is not anticipated to result in any environmental impacts, and there are no unusual or extraordinary circumstances present in connection with this rulemaking.

F. Federalism Implications

This proposed rule would not have a substantial effect on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government. Thus, in accordance with E.O. 13132, Federalism (64 FR 43255, Aug. 10, 1999), preparation of a Federalism Assessment is not warranted.

G. Unfunded Mandates Reform Act of 1995

This proposed rule would not result in the expenditure, in the aggregate, of \$100,000,000 or more, adjusted for inflation, in any one year by State, local, or Indian Tribal governments, or the private sector. Thus, consistent with

section 202 of the Unfunded Mandates Reform Act of 1995 (Pub. L. 104–4, 2 U.S.C. 1532), FRA is not required to prepare a written statement detailing the effect of such an expenditure.

H. Energy Impact

E.O. 13211 requires Federal agencies to prepare a Statement of Energy Effects for any “significant energy action.”³¹ FRA has evaluated this proposed rule in accordance with E.O. 13211 and determined that this proposed rule is not a “significant energy action” within the meaning of E.O. 13211.

I. Executive Order 13175 (Tribal Consultation)

FRA has evaluated this proposed rule in accordance with the principles and criteria contained in E.O. 13175, Consultation and Coordination with Indian Tribal Governments (Nov. 6, 2000). The proposed rule would not have a substantial direct effect on one or more Indian tribes, would not impose substantial direct compliance costs on Indian tribal governments, and would not preempt tribal laws. Therefore, the funding and consultation requirements of E.O. 13175 do not apply, and a tribal summary impact statement is not required.

J. International Trade Impact Assessment

The Trade Agreement Act of 1979³² prohibits Federal agencies from engaging in any standards or related activities that create unnecessary obstacles to the foreign commerce of the U.S. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles. The statute also requires consideration of international standards and where appropriate, that they be the basis for U.S. standards. This rulemaking is purely domestic in nature and is not expected to affect

trade opportunities for U.S. firms doing business overseas or for foreign firms doing business in the United States.

K. Privacy Act Statement

In accordance with 5 U.S.C. 553(c), DOT solicits comments from the public to better inform its rulemaking process. DOT posts these comments, without edit, to <http://www.regulations.gov>, as described in the system of records notice, DOT/ALL–14 FDMS, accessible through www.transportation.gov/privacy. To facilitate comment tracking and response, we encourage commenters to provide their name, or the name of their organization; however, submission of names is completely optional. Whether or not commenters identify themselves, all timely comments will be considered fully. If you wish to provide comments containing proprietary or confidential information, please contact the agency for alternate submission instructions.

L. Rulemaking Summary

As required by 5 U.S.C. 553(b)(4), a summary of this rule can be found at [regulations.gov](http://www.regulations.gov), Docket No. FRA–2022–0020, in the **SUMMARY** section of this proposed rule.

List of Subjects in 49 CFR Part 246

Administrative practice and procedure, Signal employee, Penalties, Railroad employees, Railroad safety, Reporting and recordkeeping requirements.

PART 246—[REMOVED]

For the reasons stated in the preamble, under the authority of E.O. 14219 and 49 U.S.C. 20103, FRA proposes to remove 49 CFR part 246.

Issued in Washington, DC.

David A. Fink,
Administrator.

[FR Doc. 2026–09792 Filed 5–14–26; 8:45 am]

BILLING CODE 4910–06–P

³⁰ 89 FR 44830, 44867 (May 21, 2024).

³¹ 66 FR 28355 (May 22, 2001).

³² 19 U.S.C. ch. 13.

Notices

Federal Register

Vol. 91, No. 94

Friday, May 15, 2026

This section of the FEDERAL REGISTER contains documents other than rules or proposed rules that are applicable to the public. Notices of hearings and investigations, committee meetings, agency decisions and rulings, delegations of authority, filing of petitions and applications and agency statements of organization and functions are examples of documents appearing in this section.

DEPARTMENT OF AGRICULTURE

Rural Business-Cooperative Service

[Docket No. RBS-26-BUSINESS-0265]

Notice of Funding Opportunity for the Rural Business Developmental Grants for Fiscal Year 2026

AGENCY: Rural Business-Cooperative Service, U.S. Department of Agriculture (USDA).

ACTION: Notice of funding opportunity.

SUMMARY: The Rural Business-Cooperative Service (RBCS or the Agency), a Rural Development (RD) agency of the United States Department of Agriculture (USDA) is issuing a Notice of Funding Opportunity (NOFO) to announce acceptance of applications under the Rural Business Developmental grant program for fiscal year (FY) 2026. In future years this funding opportunity will only be announced on the Agency website and *grants.gov*, without a **Federal Register** notice. Therefore, in future years, neither the funding opportunity nor reference to the funding opportunity in *grants.gov* will appear in the **Federal Register**. Please make a note of this change in location of the funding announcement in your records.

DATES: May 15, 2026.

ADDRESSES: Full funding notice is available on *grants.gov*. Program guidance and application forms may be obtained at <https://www.rd.usda.gov/programs-services/business-programs/rural-business-development-grants>.

FOR FURTHER INFORMATION CONTACT: Rachel Resister at Rachel.Reister@usda.gov, Business Loan and Grant Analyst, Program Management Division, RBCS, USDA, 1400 Independence Avenue SW, Mail Stop 3226, Room 5160-South, Washington, DC 20250-3226, or call 202-720-1400.

SUPPLEMENTARY INFORMATION: The full text of the Notice of Funding

Opportunity (NOFO) is available on the Agency website and on *grants.gov* using Funding Opportunity Number RDBCP-RBDG-2026 or Assistance Listing Number 10.351.

Victoria Collin,

Acting Administrator, Rural Business-Cooperative Service.

[FR Doc. 2026-09722 Filed 5-14-26; 8:45 am]

BILLING CODE 3410-XY-P

DEPARTMENT OF COMMERCE

Economic Development Administration

Agency Information Collection Activities; Submission to the Office of Management and Budget (OMB) for Review and Approval; Comment Request; Non-Infrastructure Metrics

AGENCY: Economic Development Administration, Department of Commerce.

ACTION: Notice of information collection, request for comment.

SUMMARY: The Department of Commerce, in accordance with the Paperwork Reduction Act of 1995 (PRA), invites the general public and other Federal agencies to comment on proposed, and continuing information collections, which helps us assess the impact of our information collection requirements and minimize the public's reporting burden. The purpose of this notice is to allow for 60 days of public comment preceding submission of the collection to OMB.

DATES: To ensure consideration, comments regarding this proposed information collection must be received on or before July 14, 2026.

ADDRESSES: Interested persons are invited to submit written comments by email to Jason Goodwin, Business Analyst, U.S. Department of Commerce, JGoodwin@eda.gov or at PRAComments@doc.gov. Please reference OMB Control Number 0610-0098 in the subject line of your comments. Do not submit Confidential Business Information or otherwise sensitive or protected information.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or specific questions related to collection activities should be directed to the Jason Goodwin, Business Analyst, Economic Development Administration, U.S.

Department of Commerce, at JGoodwin@eda.gov or 1401 Constitution Avenue NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION:

I. Abstract

The Economic Development Administration (EDA) leads the Federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. Guided by the basic principle that sustainable economic development should be locally driven, EDA works directly with communities and regions to help them build the capacity for economic development based on local business conditions and needs. The Public Works and Economic Development Act of 1965 (PWEDA) (42 U.S.C. 3121 *et seq.*) is EDA's establishing authority and is the primary legal authority under which EDA awards financial assistance. Under PWEDA, EDA provides financial assistance to both rural and urban communities by fostering entrepreneurship, innovation, and productivity through investments in infrastructure development, capacity building, and business development to attract private capital investments and new and better-quality jobs to regions across the United States. Further information on EDA programs and financial assistance opportunities can be found at www.eda.gov.

The approved data collection instrument (OMB 0610-0098) covers four separate forms; the ED-915, ED-916, ED-917, and ED-918, which are used to collect performance data on EDA's infrastructure (ED-915) and non-infrastructure (ED-916/ED-917/ED-918) program portfolios. This data collection instrument provides EDA with a comprehensive view of the entirety of its grant programming and helps ensure investments are evidence-based, data-driven, and accountable to participants and the public. EDA's expansive portfolio of programs, changing technology, and advances in the field of program evaluation require EDA to regularly review the questions on these forms and the associated burden with each to ensure relevant data collections that increase EDA's transparency, accountability, and inform the effectiveness of its investments. Through this review, EDA proposes

extending form ED–915 with no changes, revising form ED–916, and eliminating forms ED–917 and ED–918. The revision to the ED–916 consolidates critical project outcome data collected in forms ED–917 and ED–918 with critical project output data collected in form ED–916. This change significantly reduces the total estimated burden to participants by more than 90% from previously approved forms.

Form No.	EDA proposed change
ED–915	Extension without revision.
ED–916	Extension with revision.
ED–917	Elimination.
ED–918	Elimination.

The purpose of this notice is to seek comments from the public and other Federal agencies on a request for an extension with revision on the ED–916 non-infrastructure metrics for recipients of awards under EDA’s non-infrastructure portfolio of programs and an extension of the ED–915 construction metrics for recipients under EDA’s construction portfolio of programs. EDA will require award recipients to submit this data at predetermined intervals (ED–916: annually for 5 years from award; ED–915 at 3–, 6–, 9–year intervals from award) to determine the activities grantees were able to undertake because of the EDA award and the outcomes from those activities for both grantee organizations and the communities they serve.

II. Method of Collection

Data will be collected electronically.

III. Data

OMB Control Number: 0610–0098.

Form Number(s): ED–915, ED–916, ED–917, ED–918.

Type of Review: Regular submission (extension with revision).

Affected Public: EDA-funded grantees: State, local and tribal governments; community organizations; non-profit organizations; Indian Tribes; Institution of Higher Education or a consortium of institutions of higher education.

Type of form	Number of respondents	Hours per response	Number of responses per year (once)	Total estimated time
ED–915 (construction)	500	1	1	500
ED–916 (non-construction)	650	1.5	1	975
ED–917/ED–918	N/A: Eliminated (proposed)			
Total	750	2.5	.....	1,475

Estimated Total Annual Cost to Public: \$ 96,878 (cost assumes application of U.S. Bureau of Labor Statistics 2025 mean hourly employer costs for employee compensation for professional and related occupations of \$65.68).

Respondent’s Obligation: Mandatory for covered non-infrastructure and infrastructure award recipients.

Legal Authority: The Public Works and Economic Development Act of 1965 (42 U.S.C. 3121 *et seq.*).

IV. Request for Comments

We are soliciting public comments to permit the Department/Bureau to: (a) Evaluate whether the proposed information collection is necessary for the proper functions of the Department, including whether the information will have practical utility; (b) Evaluate the accuracy of our estimate of the time and cost burden for this proposed collection, including the validity of the methodology and assumptions used; (c) Evaluate ways to enhance the quality, utility, and clarity of the information to be collected; and (d) Minimize the reporting burden on those who are to respond, including the use of automated collection techniques or other forms of information technology.

Comments that you submit in response to this notice are a matter of

public record. We will include or summarize each comment in our request to OMB to approve this ICR. Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you may ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

Sheleen Dumas,
Departmental PRA Compliance Officer, Office of the Under Secretary for Economic Affairs, Commerce Department.
[FR Doc. 2026–09823 Filed 5–14–26; 8:45 am]

BILLING CODE 3510–34–P

DEPARTMENT OF COMMERCE

Foreign-Trade Zones Board

[B–46–2026]

Foreign-Trade Zone (FTZ) 116, Notification of Proposed Production Activity; Golden Pass LNG Terminal LLC; (Natural Gas Terminal); Port Arthur, Texas

Golden Pass LNG Terminal LLC (GPLNG) submitted a notification of proposed production activity to the FTZ Board (the Board) for its facility in Port Arthur, Texas within Subzone 116E. The notification conforming to the requirements of the Board’s regulations (15 CFR 400.22) was received on May 7, 2026.

Pursuant to 15 CFR 400.14(b), FTZ production activity would be limited to the specific foreign-status material(s)/ component(s) and specific finished product(s) described in the submitted notification (summarized below) and subsequently authorized by the Board. The benefits that may stem from conducting production activity under FTZ procedures are explained in the background section of the Board’s website—accessible via www.trade.gov/ftz.

The proposed finished product is a natural gas terminal (duty rate is duty-free).

The proposed foreign-status materials/components include: molecular sieve; sulfur impregnated activated carbon; activated alumina (aluminosilicate); ceramic balls; polyurethane heat isolation block; urethane block rigid polyurethane foam; polyethylene gasket; plastic o-ring; plastic cable tie; plastic washer; plastic wiper; plastic support; vibrocut si-rubber sheet; vulcanized rubber gasket; denso-feu tape; textile hose; gasket-carbon fiber; flat steel; steel spring wire; seamless stainless steel pipe; seamless non-alloy steel line pipe; seamless stainless steel tubing; seamless alloy steel (non-stainless) line pipe; submerged arc welded (saw) line pipe of non-alloy steel; welded stainless steel line pipe; stainless steel flanges; stainless steel blind flange; stainless steel weld neck raised face flange; stainless steel threaded pipe connectors; stainless steel butt weld pipe fittings; stainless steel pipe fittings; steel weld neck raised face flange; steel flanges; steel weld neck raised face serrated flange; steel long weld neck raised face flange; steel blind flange raised face; steel blind flange ring-to-joint; steel spectacle blind; threaded steel pipe fittings; steel pipe fittings; steel pipe union; steel washer; structural steel angle; steel plate; structural steel support; steel beam; steel column; structural steel v length brace; structural steel post; structural steel support angle; steel frame; steel amine regenerator; steel rail; structural steel platform with grate; steel directional brace; steel stair case; steel safety gate; steel ladder; steel cladding; steel personnel protection unit; steel template for drum; steel fence panel; steel structure; steel doors; steel joints; steel hexagon nut; steel rivets; steel duct; steel cable; steel tank; steel vessel; steel drum; steel bar; steel wire mesh screen; steel support; steel bolts; polytetrafluoroethylene washer; polytetrafluoroethylene sleeve; teflon plate; steel lifting eye; steel screw; steel anchor; steel threaded rod; fluoropolymer bolting auxiliary module; stainless steel hexagonal nut; steel clip; steel compression spring; steel cable tie; pipe support steel trunnion; steel pipe support pipe shoe; pipe support structure steel support; steel guide; pipe support steel stopper; pipe support round steel bar; pipe support bracing steel support; polytetrafluoroethylene stainless steel plate; steel pipe support pipe clamp shoe with thermoplastic heat isolation block; steel cold rolled strip; steel spacer; steel pad; pipe

support steel plate; pipe support steel rib; pipe support steel saddle; steel silencer; sealing ring; steel cable tray; steel cable tray reducer; steel cable tray elbow; steel cable tray blind end; steel cable tray bonding jumper; steel clamp; steel stanchion; steel pipe strap; tin mounting bracket; steel channel; steel rod; steel hose rack; galvanized steel grating saddle clips; steel foil strip; balance piston; steel disc; nickel alloy pipe; nickel flange; nickel pipe fittings; welding rod; steel shell; steel exhaust stack; steel shear block; steel flange; steel handle; steel lug; steel gas baffles; steel baffle keeper; insulation; steel bypass stack; purge air fan duct module; steel stack angle; steel hanger; steel air cooled condenser; heat recovery steam generator; steel gear box; aluminum fan hub; aluminum fan blade; steam filter; steel rotor coupling; steel inner casing; piston ring; aluminum guide blade carrier; o-ring; mineral oil mist separator skid; acoustic enclosure; gas valve skid; ethernet connection; steel chassis; analog connection; serial modbus converter; digital input/output; main central processing unit; diode; fuel gas wobbe index meter; stainless steel probes; steel pipe; universal analog input/output; controller; ethernet switch; input/output pack; power distribution module; performance monitoring panel; steel male connector; stainless steel cable gland; steel oval flange; steel shrouds; stainless steel modeling tubing; stainless steel ferrule; oil supply unit; gasket—spiral wound; steel cowl; tetraglass gasket; dehumidifier; steel grating; steel spool; steel coupling; steel pedestal; steel coupling guard; local control station; steel sheet metal; steel collar; centrifugal fan; rubber antivibration pad; fuel gas skid; steel casing drain; pressure gauge; chemical mortar cartridge; steel blind rivet nut; steel angle fitting; rubber hose; neoprene gasket; pressure transmitter; steel restriction orifice; steel earthing bar; steel reducer nipple; junction box; firefighting skid; filter house; duct reducer; steel exhaust frame; air cooler; water wash skid; pumps skid; steel plenum; internal tooth steel lockwasher; silicon gasket; steel union tee; steel plug; air separator; pressure transducer; pressure sensor; steel probe holder; pitot tube; steel sleeve; charge amplifier; steel unistrut; oil vapor separator; steel safety valve; fuel gas analysis console (chromatograph); steel cartridge; steel clamping block; pneumatic actuator; steel sieve basket; steel ring; steel head flange lifting device; steel rotation rotor device; steel spanset eye-bolt; steel shackle; steel adaptor flange; stainless steel bearings; steel rotor locking device;

steel bracket; steel shaft; steel hydraulic cylinder; dial gauge; steel centering half ring; threaded steel bushing; panel key; centrifugal compressor; cork gaskets; copper bars; aluminum high voltage cable box; high voltage surge arresters; electric motor; steel radiators; profile iron; steel conservator; transformer; steel counter flanges; compressor; gas turbine; steel burners; steel riser; aluminum cold box; expander stainless steel line; stainless steel bolt; stainless steel flat washer; stainless steel expansion joint; stainless steel conical strainer; actuator; stainless steel transition box; rock wool; perlite; steel coalescer; mercury adsorber; steel guard; steel strainer; steel filter element; steel davit; steel separator; alloy steel socket head cap screw; automatic data processing machine—server; steel valve; steel bearing shell; steel bearing; ac multi-phase motor; steel foundation bolt; conical steel seat; resistance temperature detector; resistance thermometer; contact brush; threaded steel heating body; transmitter; generator; stainless steel valve plug; stainless steel expansion bellows; level transmitter; steel collar sleeve; steel pin; profile steel; console; steel thermo well extension; steel socket; flanged steel tube; feeler gage; temperature transducer; steel terminal box; steel dowel; steel shaft turning unit; steel pressure test port; elbow screw fitting; t-type steel bolt; steel blind flange; hot dip galvanized conduit; switch cabinet; plastic wieland plug; smoke detector; differential pressure switch; fluorescent tube; aluminum electric cable duct holder extension; heater; steel hoist trolley; steel hoist chain; system ax; thermowall; aluminum cable channel; steel drainage collector; resistor; surge arresters; relay; bypass tube; desiccant agent; steel handwheel; pressure relief device; stainless steel cable strips; steel cap; sound roof; steel turnbuckle; heating element; stainless steel clips; rotor earthing; taper key; flexible steel braid; short circuit bar; fuse; bus duct; cubicle; oil cooler; sight glass; temperature gauge; profile aluminum alloy; condensate pump; aluminum cable lug; low density poly ethylene tube foil; condensate pump; splitter; insulator; axial fan; rubber sponge; sealant; welding wire; aluminum pipe; steel link; compensator; silicone bushing; earthing pad; lithium battery; signal light; communications processor; display monitor; network surge suppressor; circuit breaker; initiator; amplifier; auxiliary switch block; manual push button; connection plug; composite wire sleeve; terminal; shield connection clamp; control cabinet;

transmission line surge suppressor; aluminum case; antenna; keys; jumper; insulating stick; telephone handset; steel victaulic collar; hydraulic hose; earthing switch rod; battery case; fiber optic patch; splint; grounding kit; camera; copper wire; monitor; conduit; external card reader; k-flex elbow; photocell; beacon; gas detector; gas alarm yellow beacon; damper; air filter; automatic data processing module; signal relay module; digital input module; digital output module; configurable input/output module; stainless steel band; enclosure piece; aluminum sheet; aluminum alloy plate; plastic separation plate; temperature sensor; venturi meter; flow element; flow indicator (rotameter); venturi tube; pressure gauge part—q type siphon; and adapter unit (duty rate ranges from duty-free to 10%).

The request indicates that certain materials/components are subject to duties under section 122 of the Trade Act of 1974 (Section 122), section 232 of the Trade Expansion Act of 1962 (section 232), or section 301 of the Trade Act of 1974 (section 301), depending on the country of origin. The applicable section 122, section 232, and section 301 decisions require subject merchandise to be admitted to FTZs in privileged foreign (PF) status (19 CFR 146.41). The request also indicates that seamless non-alloy steel line pipe; seamless alloy steel (non-stainless) line pipe; submerged arc welded (saw) line pipe of non-alloy steel; stainless steel flanges; stainless steel blind flange; stainless steel weld neck raised face flange; steel weld neck raised face flange; steel blind flange raised face; steel long weld neck raised face flange; threaded steel pipe fittings; steel butt weld pipe fittings; steel pipe fittings; steel pipe union; steel cap; steel plug; steel bolts; steel threaded rod; steel clip; flat steel; submerged arc welded (saw) line pipe of non-alloy steel; stainless steel butt weld pipe fittings; steel flanges; steel tee; non-stainless steel hollow bar; steel plug; and steel caps are subject to an antidumping/countervailing duty (AD/CVD) order/investigation if imported from certain countries. The Board's regulations (15 CFR 400.13(c)(2)) require that merchandise subject to AD/CVD orders, or items which would be otherwise subject to suspension of liquidation under AD/CVD procedures if they entered U.S. customs territory, be admitted to the zone in PF status (19 CFR 146.41).

Public comment is invited from interested parties. Submissions shall be addressed to the Board's Executive Secretary and sent to: ftz@trade.gov. The

closing period for their receipt is June 24, 2026.

A copy of the notification will be available for public inspection in the "Online FTZ Information System" section of the Board's website.

For further information, contact Christopher Williams at christopher.williams@trade.gov.

Dated: May 12, 2026.

Elizabeth Whiteman,

Executive Secretary.

[FR Doc. 2026-09757 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

Agency Information Collection Activities; Submission to the Office of Management and Budget (OMB) for Review and Approval; Comment Request; Steel Import License

AGENCY: International Trade Administration, Enforcement & Compliance, Commerce.

ACTION: Notice of information collection, request for comment.

SUMMARY: The Department of Commerce, in accordance with the Paperwork Reduction Act of 1995 (PRA), invites the general public and other Federal agencies to comment on proposed, and continuing information collections, which helps us assess the impact of our information collection requirements and minimize the public's reporting burden. The purpose of this notice is to allow for 60 days of public comment preceding submission of the collection to OMB.

DATES: To ensure consideration, comments regarding this proposed information collection must be received on or before July 14, 2026.

ADDRESSES: Interested persons are invited to submit written comments to Julie Al-Saadawi, Director, Industrial Monitoring and Analysis Unit, International Trade Administration by email to julie.al-saadawi@trade.gov. Please reference OMB Control Number 0625-0245 in the subject line of your comments. Do not submit Confidential Business Information or otherwise sensitive or protected information.

FOR FURTHER INFORMATION CONTACT:

Requests for additional information or specific questions related to collection activities should be directed to Julie Al-Saadawi, Director, Industrial Monitoring and Analysis Unit, International Trade Administration by email to julie.al-saadawi@trade.gov, or by phone, 202-482-1930.

SUPPLEMENTARY INFORMATION:

I. Abstract

The President's Proclamation on Steel Safeguards mandated that the Departments of Commerce and Treasury institute an import licensing system to facilitate the monitoring of certain steel imports in 2002. In 2005, Commerce enacted regulations that implemented the Steel Import Monitoring and Analysis (SIMA) System and expanded on the licensing system for steel that was part of those safeguards. Most recently, in October 2020, Commerce modified its SIMA regulations to require that steel import license applicants identify the country of melt and pour as an additional field on the steel import license application and expanded the licensing requirement to apply to all steel products.

The import license information is necessary to assess import trends of steel products. In order to effectively monitor steel imports, Commerce must collect and provide timely aggregated summaries about the imports. The Steel Import License is the tool used to collect the necessary information. The Census Bureau currently collects import data and disseminates aggregate information about steel imports. However, the time required to collect, process, and disseminate this information through Census can take up to 90 days after importation of the product, giving interested parties and the public far less time to respond to injurious sales.

II. Method of Collection

The license application can be submitted electronically via the Commerce website (<https://trade.gov/steel>) or completed electronically and emailed to the Department.

III. Data

OMB Control Number: 0625-0245.

Form Number(s): ITA-4141P.

Type of Review: Regular submission, extension of a current information collection.

Affected Public: Business or other for-profit organizations.

Estimated Number of Respondents: 4,250.

Estimated Time per Response: 10 minutes.

Estimated Total Annual Burden Hours: 78,820 hours, including 416 burden hours for low-value licenses.

Estimated Total Annual Cost to Public: \$0.

Respondent's Obligation: Voluntary.

Legal Authority: 13 U.S.C. 301(a) and 302.

IV. Request for Comments

We are soliciting public comments to permit the Department/Bureau to: (a) Evaluate whether the proposed information collection is necessary for the proper functions of the Department, including whether the information will have practical utility; (b) Evaluate the accuracy of our estimate of the time and cost burden for this proposed collection, including the validity of the methodology and assumptions used; (c) Evaluate ways to enhance the quality, utility, and clarity of the information to be collected; and (d) Minimize the reporting burden on those who are to respond, including the use of automated collection techniques or other forms of information technology.

Comments that you submit in response to this notice are a matter of public record. We will include or summarize each comment in our request to OMB to approve this ICR. Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you may ask us in your comment to withhold your personal identifying information from public review, we cannot guarantee that we will be able to do so.

Sheleen Dumas,

Departmental PRA Compliance Officer, Office of the Under Secretary for Economic Affairs, Commerce Department.

[FR Doc. 2026–09825 Filed 5–14–26; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

Notice of Rescission of Antidumping and Countervailing Duty Administrative Reviews; Correction

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

ACTION: Notice; correction.

SUMMARY: The U.S. Department of Commerce (Commerce) published an Advance Notification of Sunset Review in the **Federal Register** of May 1, 2026, in which Commerce inadvertently listed the incorrect case under the antidumping duty proceeding column for Cut-to-Length Carbon Steel Plate from Ukraine (A–823–808).

FOR FURTHER INFORMATION CONTACT: Brenda E. Brown, Office of AD/CVD Operations, Customs Liaison Unit,

Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230, telephone: (202) 482–4735.

SUPPLEMENTARY INFORMATION:

Background

On May 1, 2026, Commerce published in the **Federal Register** the Advanced Sunset notice.¹ We inadvertently listed Cut-to-Length Carbon Steel Plate (A–823–808) from Ukraine under the antidumping duty proceeding column. However, Cut-to-Length Carbon Steel Plate from Ukraine should have been listed under the suspended investigations column.

Correction

In the **Federal Register** of May 1, 2026, in FR Doc. 2026–08561, list Cut-to-Length Carbon Steel Plate (A–823–808) from Ukraine under the “Suspended Investigations” column. This serves as a correction notice.

Notification to Interested Parties

This notice is issued and published in accordance with section(s) 751(a)(1) and 777(i)(1) of the Tariff Act of 1930, as amended, and 19 CFR 351.213(d)(4).

Dated: May 12, 2026.

Scot Fullerton,

Acting Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations.

[FR Doc. 2026–09754 Filed 5–14–26; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

Agency Information Collection Activities; Submission to the Office of Management and Budget (OMB) for Review and Approval; Comment Request; Aluminum Import Monitoring and Analysis System

AGENCY: International Trade Administration, Enforcement & Compliance, Commerce.

ACTION: Notice of Information Collection, request for comment.

SUMMARY: The Department of Commerce, in accordance with the Paperwork Reduction Act of 1995 (PRA), invites the general public and other Federal agencies to comment on proposed, and continuing information collections, which helps us assess the

impact of our information collection requirements and minimize the public’s reporting burden. The purpose of this notice is to allow for 60 days of public comment preceding submission of the collection to OMB.

DATES: To ensure consideration, comments regarding this proposed information collection must be received on or before July 14, 2026.

ADDRESSES: Interested persons are invited to submit written comments to Julie Al-Saadawi, Director, Industrial Monitoring and Analysis Unit, International Trade Administration by email to julie.al-saadawi@trade.gov. Please reference OMB Control Number 0625–0279 in the subject line of your comments. Do not submit Confidential Business Information or otherwise sensitive or protected information.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or specific questions related to collection activities should be directed to Julie Al-Saadawi, Director, Industrial Monitoring and Analysis Unit, International Trade Administration by email to julie.al-saadawi@trade.gov, or by phone, 202–482–1930.

SUPPLEMENTARY INFORMATION:

I. Abstract

Under the Aluminum Import Monitoring and Analysis (AIM) system, importers, custom brokers, or their agents are required to obtain an import license for each entry of covered aluminum products. To obtain an import license, each applicant must identify, among other fields, the country or countries where the largest and second largest volume of primary aluminum used in the manufacture of the imported aluminum product was smelted and the country where the aluminum product was most recently cast. On December 23, 2020, Commerce published the final rule adopting regulations establishing the AIM system in 19 CFR part 361 (85 FR 83804; December 23, 2020).

The import license information is necessary to assess import trends of aluminum products. In order to effectively monitor aluminum imports, Commerce must collect and provide timely aggregated summaries about the imports. The Aluminum Import License form is the tool used to collect the necessary information. The Census Bureau currently collects import data and disseminates aggregate information about aluminum imports. However, the time required to collect, process, and disseminate this information through Census can take up to 45 days after importation of the product, giving

¹ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Advance Notification of Sunset Review*, 91 FR 23393 (May 1, 2026).

interested parties and the public far less time to respond to injurious sales.

II. Method of Collection

The license application can be submitted electronically via the Commerce website (<https://trade.gov/aluminum>) or completed electronically and emailed to the Department.

III. Data

OMB Control Number: 0625–0279.

Form Number(s): ITA–4142a (regular license); ITA–4142b (low-value license).

Type of Review: Regular submission, extension of a current information collection.

Affected Public: Business or other for-profit organizations.

Estimated Number of Respondents: 4,000.

Estimated Time Per Response: 10 minutes.

Estimated Total Annual Burden Hours: 35,633 hours.

Estimated Total Annual Cost to Public: \$0.00.

Respondent's Obligation: Voluntary.

Legal Authority: 13 U.S.C. 301(a) and 302.

IV. Request for Comments

We are soliciting public comments to permit the Department/Bureau to: (a) Evaluate whether the proposed information collection is necessary for the proper functions of the Department, including whether the information will have practical utility; (b) Evaluate the accuracy of our estimate of the time and cost burden for this proposed collection, including the validity of the methodology and assumptions used; (c) Evaluate ways to enhance the quality, utility, and clarity of the information to be collected; and (d) Minimize the reporting burden on those who are to respond, including the use of automated collection techniques or other forms of information technology.

Comments that you submit in response to this notice are a matter of public record. We will include or summarize each comment in our request to OMB to approve this ICR. Before including your address, phone number, email address, or other personal identifying information in your comment, you should be aware that your entire comment—including your personal identifying information—may be made publicly available at any time. While you may ask us in your comment to withhold your personal identifying information from public review, we

cannot guarantee that we will be able to do so.

Sheleen Dumas,

Departmental PRA Compliance Officer, Office of the Under Secretary for Economic Affairs, Commerce Department.

[FR Doc. 2026–09824 Filed 5–14–26; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[Docket No. 260506–0125]

RIN 0625–XC060

Amending the Procedures To Administer Import Adjustment Offset Amounts for Certain Imports of Automobile Parts Under Proclamation 10908 To Include Medium- and Heavy-Duty Vehicle Parts

AGENCY: International Trade Administration, U.S. Department of Commerce.

ACTION: Notice.

SUMMARY: On June 13, 2025, the International Trade Administration published a Notice titled “Procedures To Administer Import Adjustment Offset Amounts for Certain Imports of Automobile Parts Under Proclamation 10908, as Amended” (June 13 Notice), which established procedures for automobile manufacturers to apply for and use the import adjustment offset amount established by Presidential Proclamation 10925 of April 29, 2025, “Amendments to Adjusting Imports of Automobiles and Automobile Parts Into the United States” to incentivize domestic automobile production and reduce American reliance on imports of foreign automobiles and their parts. This notice amends those procedures consistent with the amendments to Proclamation 10925 set forth in Presidential Proclamation 10984 of October 17, 2025, “Adjusting Imports of Medium- and Heavy-Duty Vehicles, Medium- and Heavy-Duty Vehicle Parts, and Buses Into the United States”. This notice also amends those procedures to allow domestic manufacturers of Medium- and Heavy-Duty Vehicles (MHDV) to claim import adjustment offsets for imports of MHDV parts (MHDVPs) and automobile parts in a manner consistent with Proclamation 10984. The procedures exclude certain heavy-duty vehicle assembly operations determined to be “limited production operations” from being considered in the calculation of offsets, and notes that these procedures will be amended to exclude limited production operations

for automobiles and medium-duty vehicles at a later date. This notice replaces the procedures set forth in ITA’s June 13 Notice. The import adjustment offset process will be amended at a later date to establish an equivalent process for domestic manufacturers of automobile engines and MHDV engines, as provided for in Proclamation 10984.

DATES: Applications from domestic manufacturers of MHDVs can be submitted starting May 15, 2026. Domestic manufacturers of automobiles may continue to submit applications at the address below.

ADDRESSES: Offset applications must be submitted electronically to: autooffset@trade.gov.

FOR FURTHER INFORMATION CONTACT: Emily Davis, Director for Public Affairs, International Trade Administration, U.S. Department of Commerce, 202–482–3809, Emily.Davis@trade.gov.

SUPPLEMENTARY INFORMATION:

I. Background

On March 26, 2025, the President issued Proclamation 10908, finding that imports of automobiles (defined as passenger vehicles (sedans, sport utility vehicles, crossover utility vehicles, minivans, and cargo vans) and light trucks) and certain automobile parts continue to threaten to impair the national security of the United States and imposing specified tariffs to adjust imports of automobiles and certain automobile parts so that such imports will not threaten to impair national security pursuant to section 232 of the Expansion Act of 1962, as amended (19 U.S.C. 1862) (90 FR 14705). Proclamation 10908 imposed a 25 percent tariff on certain imports of automobiles, effective April 3, 2025, and certain imports of automobile parts, effective May 3, 2025.

On April 29, 2025, the President issued Proclamation 10925, which allowed for automobile manufacturers assembling automobiles in the United States to apply for an import adjustment offset amount, which would offset certain tariff liability under Proclamation 10908 on imports of automobile parts (90 FR 18899). Proclamation 10925 required the Secretary of Commerce (Commerce) to establish a process by which automobile manufacturers may submit documentation supporting eligibility for an import adjustment offset amount. Commerce established an import adjustment offset process through the June 13 Notice “Procedures To Administer Import Adjustment Offset Amounts for Certain Imports of

Automobile Parts Under Proclamation 10908, as Amended” (90 FR 25027) (Offset Process).

On October 17, 2025, the President issued Proclamation 10984, finding that imports of MHDVs, certain MHDVPs, and buses threaten to impair the national security of the United States and imposing specified tariffs to adjust imports of MHDVs, certain MHDVPs, and buses so that such imports will not threaten to impair national security, and imposing a 25 percent tariff on certain imports of MHDVs and MHDVPs, effective November 1, 2025 (90 FR 48451). Under Proclamation 10984, buses and other vehicles classified in Harmonized Tariff Schedule of the United States (HTSUS) heading 8702 are subject to a 10 percent tariff. Given the “close connections and overlap between part suppliers” for the automobile industry and the MHDV industry, Proclamation 10984 also amends Proclamation 10925 to conform certain aspects of the tariff system imposed by Proclamations 10908 and 10925 for automobiles and automobile parts to the tariff system imposed by Proclamation 10984.

Proclamation 10984 allowed MHDV manufacturers assembling MHDVs in the United States to apply for an import adjustment offset amount, which would offset certain tariff liability under Proclamation 10984 on imports of MHDVPs. Proclamation 10984 required Commerce to establish a process by which MHDV manufacturers may submit documentation supporting eligibility for an import adjustment offset amount. This notice amends the Offset Process to allow domestic manufacturers of MHDVs to apply for and receive import adjustment offsets, including application, documentation, and certification requirements, eligibility conditions, and coordination with U.S. Customs and Border Protection (CBP). Commerce is still considering if and how the Offset Process should apply to manufacturers based on bus production; no determination regarding the availability of such offsets has yet been made. The Offset Process procedures set forth in this notice replace the Offset Process procedures set forth in the June 13 Notice.

Proclamation 10984 authorized Commerce to issue regulations and guidance consistent with that proclamation, including to address operational necessity. Commerce has determined that, in light of the “close connections and overlap between part suppliers” for the automobile industry and the MHDV industry identified in Proclamation 10984, and the fact that

the President found that conforming the tariff systems between automobiles and MHDVs will more effectively address the threat to national security found in Proclamations 10908 and 10984, it is necessary to allow MHDV manufacturers assembling MHDVs in the United States to apply for an import adjustment offset amount for automobile parts as well as for MHDVPs, allowing them to offset tariff liability under both Proclamation 10984 and Proclamation 10908. Similarly, Commerce has determined that, in light of that close connection, it is necessary to allow automobile manufacturers assembling automobiles in the United States to apply for an import adjustment offset amount for MHDVPs as well as for automobile parts, allowing them to offset tariff liability under both Proclamation 10908 and Proclamation 10984.

Proclamation 10984 also provides Commerce with the authority to prohibit MHDV manufacturers from using offset amounts for imports of products where offsets would be inconsistent with addressing the threat to the national security found in that Proclamation. Through Proclamation 10984, for MHDV, the President sought to strengthen supply chains, bolster industrial resilience, create high-quality jobs that will expand the skilled workforce in the United States, and increase domestic capacity utilization and U.S. MHDV market share. Similarly, for automobiles, Proclamation 10925 expressed the goals of reducing reliance on foreign manufacturing and importation of automobiles and automobile parts, strengthening U.S. vehicle assembly operations, shifting manufacturing activity into the United States, creating jobs in the automotive industry, and ensuring that other benefits of production are concentrated in the United States.

In light of these goals, Commerce found that it is appropriate to exclude assembly operations determined to be “limited production operations” from being considered in the calculation of offsets. Commerce also found that what should be determined to be “limited production operations” should be determined in light of the manufacturing processes for that particular class of vehicles.

With respect to heavy-duty vehicles (vehicles in Classes 7 and 8, as defined in 49 CFR 565.15), Commerce has determined that production operations in the United States that rely on imported chassis, chassis gliders, chassis with engine, or engines, should be considered to be limited production operations. Heavy-duty vehicles are

large enough to allow for separate components to be fully assembled elsewhere, imported, and bolted together to make a finished heavy-duty vehicle, and this type of limited production operation does not forward the national security goals of Proclamation 10984. Therefore, heavy-duty vehicle production that includes incorporating an imported chassis, chassis glider, chassis with engine, or engine in the vehicle, is not eligible for offsets under the Offset Process.

Commerce is not applying this definition of limited production operations to automobiles (including light-duty trucks classifiable in the HTSUS subheadings listed in Part A of Annex I to Proclamation 10908) and medium-duty vehicles (Classes 3, 4, 5, and 6 as defined in 49 CFR 565.15) vehicles because of the significant differences in the manufacturing operations between those vehicles and heavy-duty vehicles (Class 7 and 8); manufacturing operations for these different classes of vehicles are fundamentally different. Processes differ in terms of scale of production, number and type of significant components sourced from outside parties, type of assembly activity conducted and the state of the vehicles when they leave the production line. Because of these differences, it is appropriate to limit the determination above regarding what should be considered “limited production operations” to heavy-duty vehicles.

Commerce is not restricting offsets for automobiles and medium-duty vehicles on the basis of “limited production operations” at this time as Commerce is still considering what assembly operations for these vehicles should be considered to be “limited production operations.” Commerce will further consider this issue and amend the Offset Process at a later date once it makes a determination. As part of this consideration, Commerce will review information submitted with offset applications with respect to current vehicle assembly operations in the United States.

Section 3 of Proclamation 10925 states that Commerce, “in consultation with the Secretary of the Treasury and the Commissioner of CBP, shall issue such regulations, guidance, and procedures as necessary to carry out the provisions of this proclamation and Proclamation 10908, and may establish standards for . . . validating manufacturer certifications.” To validate MHDV and automobile manufacturer certifications used to calculate offsets provided in preceding years, the Secretary has determined that

it is necessary for U.S. manufacturers to provide details on their production, including vehicles produced and the value of those vehicles produced, from any preceding year in which they claimed an offset. Should an applicant produce fewer vehicles or produce vehicles at a lower value than projected in information provided to Commerce in previous Offset Process applications, Commerce may adjust the following year's offset amount accordingly.

Proclamation 10984 also requires Commerce to establish an offset process for MHDV engine manufacturers and an offset process for automobile engine manufacturers equivalent to the processes for manufacturers of MHDVs and automobiles. Commerce will publish a **Federal Register** notice amending the Offset Process to allow such offsets at a later date. In light of these separate offsets, Commerce has determined that the cost of engines incorporated into an automobile or MHDV should not be included in the calculation of the aggregate value of MHDVs or automobiles assembled in the United States by a manufacturer.

II. Application Process

A. Import Adjustment Offset Amount Structure and Duration

Proclamation 10984 provides that MHDV manufacturers are eligible for an import adjustment offset amount equal to 3.75 percent of the aggregate value of all MHDVs assembled in the United States by that manufacturer, as determined annually by Commerce, from November 1, 2025, through October 31, 2030. The relevant annual periods are:

- MHDVs assembled between November 1, 2025, and October 31, 2026;
- MHDVs assembled between November 1, 2026, and October 31, 2027;
- MHDVs assembled between November 1, 2027, and October 31, 2028;
- MHDVs assembled between November 1, 2028, and October 31, 2029; and
- MHDVs assembled between November 1, 2029, and October 31, 2030.

Proclamation 10984 also provides that automobile manufacturers are eligible for an import adjustment offset equal to 3.75 percent of the aggregate Manufacturer's Suggested Retail Price (MSRP) of all automobiles assembled in the United States by that manufacturer, as determined annually by Commerce, from April 5, 2025, through April 30, 2030. The relevant annual periods are:

- Automobiles assembled between April 5, 2025 and April 30, 2026;
- Automobiles assembled between May 1, 2026, and April 30, 2027;
- Automobiles assembled between May 1, 2027, and April 30, 2028;
- Automobiles assembled between May 1, 2028, and April 30, 2029; and
- Automobiles assembled between May 1, 2029, and April 30, 2030.

Import adjustment offset amounts may be used by MHDV manufacturers to reduce tariffs on MHDVPs provided for in Proclamation 10984 or tariffs on automobile parts provided for in Proclamation 10908, as amended, and may be carried forward indefinitely until fully exhausted, provided they were granted based on qualifying MHDVs assembled between November 1, 2025 and October 31, 2030. Similarly, import adjustment offset amounts may be used by automobile manufacturers to reduce tariffs on MHDVPs provided for in Proclamation 10984 or tariffs on automobile parts provided for in Proclamation 10908, and may be carried forward indefinitely until fully exhausted, provided they were granted based on qualifying automobiles assembled between April 5, 2025 and April 30, 2030.

For purposes of this notice:

- “MHDVPs” means the articles subject to duties under Proclamation 10984 and classified under the subheadings of the Harmonized Tariff Schedule of the United States (HTSUS) that were established by Proclamation 10984 in U.S. note 38(i) of subchapter III of chapter 99 of the HTSUS, or goods entered under a tariff heading subject to Proclamation 10984, based on a certification by the importer of record that such parts will be used for MHDV production or repair activity in the United States.

- “Automobile parts” means the articles subject to duties under Proclamation 10908 and classified under the subheadings of the HTSUS that were established by that proclamation, in U.S. note 33(g) of the HTSUS, or goods entered under a tariff heading subject to Proclamation 10908, as amended, based on the appropriate certification by the importer of record that such parts will be used in automobile production or repair activity in the United States.

- “MHDV” means articles that would be subject to duties under Proclamation 10984 and classified under the subheadings of the HTSUS that were established by that proclamation in U.S. note 38(b) of subchapter III of chapter 99 of the HTSUS. This definition includes both “medium-duty vehicles” and

“heavy-duty vehicles,” as described below.

- “Medium-duty vehicle” means a subcategory of MHDVs classified in Class 3 through Class 6 as defined in 49 CFR 565.15 with a gross vehicle weight of 10,001 pounds to 26,000 pounds.

- “Heavy-duty vehicle” means a subcategory of MHDVs classified in Class 7 and 8 as defined in 49 CFR 565.15 with a gross vehicle weight of 26,001 pounds and above.

- “Automobile” means articles that would be subject to duties under Proclamation 10908 and classified under the subheadings of the HTSUS that were established by that proclamation in U.S. note 33(b) of subchapter III of chapter 99 of the HTSUS. This definition includes light-duty trucks classifiable in the HTSUS subheadings listed in Part A of Annex I to Proclamation 10908 with a gross vehicle weight under 10,000 pounds.

B. Application Requirements

Manufacturers seeking an import adjustment offset amount must submit the following documentation for each period for which an import adjustment offset amount is sought. For MHDV manufacturers, this requires submission of one set of documentation for the period of November 1, 2025 through October 31, 2026; and separate sets of documentation for each of the periods of November 1, 2026 through October 31, 2027; November 1, 2027 through October 31, 2028; November 1, 2028 through October 31, 2029; and November 1, 2029 through October 31, 2030. For automobile manufacturers, this requires submission of one set of documentation for each period of April 5, 2025 through April 30, 2026; May 1, 2026 through April 30, 2027; May 1, 2027 through April 30, 2028; May 1, 2028 through April 30, 2029; and May 1, 2029 through April 30, 2030.

Automobile manufacturers that have already submitted documentation covering April 5, 2025 through April 30, 2026 are not required to submit a revised offset application. However, automobile manufacturers who have already submitted documentation covering periods from May 1, 2026 and onward must resubmit documentation, given changes to the Offset Process.

1. Production Forecast:

a. For MHDVs: The number of completed MHDVs projected to be produced in the United States by make and model and the plant locations where the projected MHDVs will undergo final production during each reporting period. MHDV manufacturers shall also describe the U.S. manufacturing activities for each model

at each plant location. For heavy-duty vehicles, the manufacturer's production forecast shall not include models where production includes the incorporation of an imported chassis, chassis glider, chassis with engine, or engine. Manufacturers of medium-duty vehicles must provide the gross weight of the vehicle they seek to include in their production forecast, and may include in their production forecast operations that include the incorporation of an imported chassis, chassis glider, chassis with engine, or engine for the identified medium-duty vehicle; however, manufacturers of medium-duty vehicles must still report U.S. manufacturing activities for each model at each plant location, including the location where each part identified as super-core and listed in Column 1 of Table A.2 of the Appendix to Chapter 4 of the U.S.-Mexico-Canada Agreement (USMCA) is incorporated into the finished medium-duty vehicle, and the country of origin for each part. Manufacturers of MHDVs that rely on third parties to conduct final vehicle upfitting of MHDVs in order to produce specialty vocational MHDVs may report the projected number of MHDVs to be produced in the United States prior to the third party upfitting the MHDV into a specialty vocational MHDV, so long as the MHDV manufacturer relied on such third party upfitters in the ordinary course of trade prior to November 1, 2025. Third parties that do not assemble MHDVs but instead procure MHDVs from MHDV manufacturers and conduct final vehicle upfitting of MHDVs in order to produce specialty vocational MHDVs are not eligible to receive offsets under the Offset Process.

b. For Automobiles: The number of automobiles projected to be produced in the United States by make and model and the plant locations where the projected automobiles will undergo final production during each reporting period. Automobile manufacturers shall also describe the U.S. manufacturing activities for each model at each plant location, including the location where each part identified as super-core and listed in Table A.2 of the Appendix to Chapter 4 of the USMCA is incorporated into the finished automobile and the country of origin for each part.

2. *Vehicle Value:*

a. For MHDVs: The aggregate value of all such MHDVs identified in the Production Forecast as eligible for an offset assembled in the United States during each reporting period. The aggregate value shall not include the cost (if purchased from a third party) or value (if manufactured by the MHDV producer) of the engine contained in the

MHDV; manufacturers must calculate the aggregate value using whichever of the following three valuation methods they used in the ordinary course of trade prior to November 1, 2025: MSRP, Dealer Net Cost, or Factory List Price. In calculating the cost of an engine purchased from a third party, manufacturers should use the price paid on the sale from the engine manufacturer to the MHDV manufacturer. In calculating the value of an engine that was not purchased from a third party, manufacturers should use a methodology consistent with the method for calculating net cost set out in Chapter 4 of the USMCA.

b. For Automobiles: The aggregate MSRP value of all such automobiles identified in the Production Forecast as eligible for an offset assembled in the United States during each reporting period. For documentation covering production forecasts for May 1, 2026 and later, manufacturers must deduct the cost (if purchased from a third party) or value (if manufactured by the automobile producer) of the engine contained in the automobile from this MSRP value. In calculating the cost of the engine purchased from a third party, manufacturers should use the price paid on the sale from the engine manufacturer to the automobile manufacturer. In calculating the value of the engine, manufacturers should determine value using the net cost methodology set forth in Chapter 4 of the USMCA. Manufacturers are not required to deduct the cost or value of the automobile engine for documentation covering the April 5, 2025 through April 30, 2026 period.

3. *Prior Year Production and Vehicle Value:*

a. For MHDVs: If a manufacturer received an offset in the previous year, the manufacturer must provide the number of completed MHDVs produced in the United States in the previous reporting period, the aggregate value of those MHDVs, and a description of the U.S. manufacturing activities for each model at each plant location. In providing these figures, manufacturers must use the eligibility considerations and vehicle value methodology used in the prior year's application.

b. For Automobiles: If a manufacturer received an offset in the previous year, the manufacturer must provide the number of automobiles produced in the United States in the previous reporting period and the aggregate MSRP value of those automobiles. In providing these figures, manufacturers must use the same production calculation and vehicle value methodology used in the prior year's application.

4. *Tariff Liability Estimate:*

a. For MHDVs: Projected MHDV and MHDVs tariff liability under clauses 1, 7, and 12 of Proclamation 10984, broken down by Proclamation 10984 tariff costs the manufacturer will incur directly and Proclamation 10984 tariff costs the manufacturer's suppliers will incur. These estimates should not include the tariff liability for MHDV engines or parts used in the manufacture of MHDV engines.

b. For Automobiles: Projected automobiles and automobile parts tariff liability under Proclamation 10908 or under clause 12 of Proclamation 10984, broken down by tariff costs the manufacturer will incur directly and tariff costs the manufacturer's suppliers will incur. These estimates should not include the tariff liability for automobile engines or parts used in the manufacture of automobile engines.

5. *Offset Calculation:*

a. For MHDVs and Automobiles: Requested total import adjustment offset amount for each reporting period, including details of how such amount was calculated.

6. *Importers of Record:*

a. For MHDV manufacturers and Automobile manufacturers: A list of authorized importers of record eligible to decrement against the manufacturer's import adjustment offset amount. This list must include the importer's Importer of Record number and the amount of the import adjustment offset amount allotted to each importer of record. Updates to this list may be submitted electronically to Commerce at autooffset@trade.gov. At its discretion, Commerce may update this list at other times during the duration of the Offset Process.

7. *Certification:*

a. For MHDVs and Automobiles: A sworn statement from a senior officer of the manufacturer confirming that the submission is true, accurate, and complete to the best of the manufacturer's knowledge under penalty of perjury and confirming that the manufacturer has conducted reasonable diligence to verify the accuracy of the assertions and facts contained in its submissions.

8. *Additional Information:*

a. For MHDVs and Automobiles: Any other information the applicant feels is necessary to facilitate decision making.

C. *Review and Approval Process*

Commerce will review applications for completeness. Commerce may request supplemental documentation or clarification. Approved manufacturers will be notified in writing of approval and amount of offset granted, and

relevant import adjustment offset amount data, including amounts and importer of record numbers, will be transmitted by Commerce to CBP. CBP will administer the offset at the time of entry summary filing and may request additional documentation to validate entries.

D. Usage and Enforcement

Import Adjustment Offset amounts claimed at time of entry for both MHDVs and Automobiles:

- May be used only by approved importers associated with the approved manufacturer;
- May be applied only to reduce tariff liability incurred under clauses 1, 7, or 12 of Proclamation 10984 or Proclamation 10908 on eligible MHDV or automobile parts;
- May not exceed the manufacturer's total tariff liability on covered MHDVs and automobile parts; and
- May not be traded, sold, or transferred.

E. Oversight and Adjustments

Commerce will monitor manufacturer and importer compliance and communicate information regarding noncompliance to CBP, where appropriate. CBP may exercise its authority to conduct audits to ensure compliance with this regulation. If it is determined that inaccurate, incomplete, or false information, has been submitted, penalties may be imposed.

F. Amendments to Harmonized Tariff Schedule

Under Proclamation 10984, Commerce, in consultation with the United States International Trade Commission and CBP, shall determine the modifications necessary to the HTSUS to effectuate that proclamation and shall make such modifications to the HTSUS through notice in the **Federal Register**. The HTSUS is modified as set forth below.

Effective with respect to goods entered for consumption, or withdrawn from warehouse for consumption, on or after 12:01 a.m. eastern daylight time on November 1, 2025:

Subdivision (i) of U.S. note 38 to subchapter III of chapter 99 of the HTSUS is modified by deleting the first paragraph, and inserting the following in lieu thereof: "Subject to a manufacturer's import adjustment offset amount that may be determined by the Secretary of Commerce under Proclamation 10984 of October 17, 2025 (90 FR 48451), the rates of duty set forth in heading 9903.74.08 applies to parts of medium- and heavy-duty vehicles classifiable in the provisions of the

HTSUS enumerated in this subdivision."

III. Paperwork Reduction Act Public Burden Statement

A Federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with an information collection subject to the requirements of the Paperwork Reduction Act of 1995 unless the information collection has a currently valid OMB Control Number. The approved OMB Control Number for this information collection is 0690-0283. Without this approval, we could not conduct this information collection. Public reporting for this information collection is estimated to be approximately 40 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the information collection. The estimated burden hours are within the approved burden hour limits of this control number. All responses to this information collection are voluntary. Send comments regarding this burden estimate or any other aspect of this information collection, including suggestions for reducing this burden to the International Trade Administration Paperwork Reduction Act Program: PRA@trade.gov.

William Kimmitt,

Under Secretary for International Trade,
United States Department of Commerce.

[FR Doc. 2026-09782 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-DR-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-126]

Non-Refillable Steel Cylinders from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2023-2024

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The U.S. Department of Commerce (Commerce) finds that Wuyi Xilinde Machinery Manufacture Co., Ltd. (Wuyi Xilinde), the sole mandatory respondent in this review, sold non-refillable steel cylinders (steel cylinders) from the People's Republic of China (China) at less than normal value during the period of review (POR), May 1, 2023, through April 30, 2024.

DATES: Applicable May 15, 2026.

FOR FURTHER INFORMATION CONTACT:

Matthew Palmer, AD/CVD Operations, Office III, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482-1678.

SUPPLEMENTARY INFORMATION:

Background

On September 11, 2025, Commerce published the *Preliminary Results* in the **Federal Register** and invited interested parties to comment.¹ Due to the lapse in appropriations and Federal Government shutdown, on November 14, 2025, Commerce tolled all deadlines in administrative proceedings by 47 days.² Additionally, due to a backlog of documents that were electronically filed via Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) during the Federal Government shutdown, on November 24, 2025, Commerce tolled all deadlines in administrative proceedings by an additional 21 days.³ On February 27, 2026, Commerce extended the time period for issuing the final results by 53 days.⁴ As a result, the revised deadline for this review is now May 11, 2026.

For a complete description of the events that followed the *Preliminary Results*, see the Issues and Decision Memorandum.⁵ The Issues and Decision Memorandum is a public document and is on file electronically via ACCESS. ACCESS is available to registered users at <https://access.trade.gov>. In addition, a complete version of the Issues and Decision Memorandum can be accessed directly at <https://access.trade.gov/frnotices>.

Scope of the Order⁶

The products covered by the *Order* are steel cylinders from China. For a

¹ See *Non-Refillable Steel Cylinders from the People's Republic of China: Preliminary Results and Partial Rescission of the Antidumping Duty Administrative Review; 2023-2024*, 90 FR 44026 (September 11, 2025) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum (PDM).

² See Memorandum, "Deadlines Affected by the Shutdown of the Federal Government," dated November 14, 2025.

³ See Memorandum, "Tolling of all Case Deadlines," dated November 24, 2025.

⁴ See Memorandum, "Extension of Deadline for the Final Results of Antidumping Duty Administrative Review," dated February 27, 2026.

⁵ See Memorandum, "Issues and Decision Memorandum for the Final Results of the Antidumping Duty Administrative Review of Non-Refillable Steel Cylinders from the People's Republic of China, 2023-2024," dated concurrently with this notice (Issues and Decision Memorandum).

⁶ See *Certain Non-Refillable Steel Cylinders from the People's Republic of China: Amended Final*

complete description of the scope of the Order, see the Issues and Decision Memorandum.

Verification

As provided in section 782(i) of the Tariff Act of 1930, as amended (the Act), Commerce conducted verification of the sales and factors of production information submitted by Wuyi Xilinde.⁷ We used standard verification procedures, including an examination of relevant sales and accounting records, and original source documents provided by Wuyi Xilinde.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs are addressed in the Issues and Decision Memorandum. A list of the issues that parties raised and to which we responded in the Issues and Decision Memorandum is attached as an appendix to this notice.

Changes Since the Preliminary Results

Based on a review of the record and comments received from interested parties regarding the *Preliminary Results*, and in consideration of Commerce's verification findings, we find that Wuyi Xilinde's submitted information is incomplete and unreliable, warranting the application of facts available pursuant to section 776(a) of the Act. Further, due to the company's failure to act to the best of its ability, we find that Wuyi Xilinde has significantly impeded Commerce's review and that application of an adverse inference (AFA) is warranted pursuant to section 776(b) of the Act.

The China-Wide Entity

Commerce's policy regarding the conditional review of the China-wide entity applies to this administrative review.⁸ Under this policy, the China-wide entity will not be under review unless a party specifically requests, or Commerce self-initiates, a review of the entity. Because no party requested a review of the China-wide entity, we did not review the entity. Thus, the China-wide entity's rate (*i.e.*, 112.21 percent) is not subject to change.⁹

⁷ *Antidumping Duty Determination and Antidumping Duty and Countervailing Duty Orders*, 86 FR 25839 (May 11, 2021) (Order).

⁸ See Memorandum, "Wuyi Xilinde Machinery Manufacture Co., Ltd.," dated February 6, 2026.

⁹ See *Antidumping Proceedings: Announcement of Change in Department Practice for Respondent Selection in Antidumping Duty Proceedings and Conditional Review of the Nonmarket Economy Entity in NME Antidumping Duty Proceedings*, 78 FR 65963 (November 4, 2013).

⁹ See *Preliminary Results*, 90 FR at 44029.

Final Results of Review

Commerce determines that the following estimated weighted-average dumping margin exists for the period May 1, 2023, through April 30, 2024:

Exporter	Weighted-Average Dumping Margin (percent)
Wuyi Xilinde Machinery Manufacture Co., Ltd.	150.37

Disclosure

Normally, Commerce discloses to interested parties the calculations performed in connection with a final determination within five days of its public announcement or, if there is no public announcement, within five days of the date of publication of this notice in accordance with 19 CFR 351.224(b). However, because Commerce applied AFA to the mandatory respondent in this review in accordance with section 776 of the Act, there are no calculations to disclose.

Assessment Rates

Pursuant to section 751(a)(2)(A) of the Act, and 19 CFR 351.212(b)(1), Commerce shall determine, and U.S. Customs and Border Protection (CBP) shall assess, antidumping duties on all appropriate entries covered by this review. Because Commerce determined Wuyi Xilinde's margin on the basis of AFA in the final results of this review, Commerce will instruct CBP to assess antidumping duties on all appropriate entries subject merchandise exported by Wuyi Xilinde at the rate equal to the weighted-average dumping margin listed in the table above.

Commerce intends to issue assessment instructions to CBP no earlier than 35 days after the date of publication of the final results of this review in the **Federal Register**. If a timely summons is filed at the U.S. Court of International Trade, the assessment instructions will direct CBP not to liquidate relevant entries until the time for parties to file a request for a statutory injunction has expired (*i.e.*, within 90 days of publication).

Cash Deposit Requirements

The following cash deposit requirements will be effective upon publication of the final results of administrative review for all shipments of subject merchandise entered, or withdrawn from warehouse, for consumption on, or after, the publication date of the final results of review, as provided for by section 751(a)(2)(C) of the Act: (1) the cash

deposit rates for Wuyi Xilinde will be equal to the company-specific weighted-average dumping margin established in the final results of this administrative review; (2) for a previously investigated or reviewed exporter of subject merchandise not listed in the final results of review that has a separate rate, the cash deposit rate will continue to be the exporter's existing cash deposit rate; (3) for all Chinese exporters of subject merchandise that do not have a separate rate, the cash deposit rate will be the cash deposit rate established for the China-wide entity, *i.e.*, 101.67 percent; and (4) for all exporters of subject merchandise that are not located in China and that are not eligible for a separate rate, the cash deposit rate will be the rate applicable to the China exporter(s) that supplied that non-Chinese exporter. These deposit requirements, when imposed, shall remain in effect until further notice.

Notification to Importers

This notice also serves as a final reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping and/or countervailing duties prior to liquidation of the relevant entries during this POR. Failure to comply with this requirement could result in Commerce's presumption that reimbursement of antidumping and/or countervailing duties occurred and the subsequent assessment of double antidumping duties and/or an increase in the amount of antidumping duties by the amount of the countervailing duties.

Administrative Protective Order

This notice also serves as the final reminder to parties subject to an administrative protective order (APO) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a sanctionable violation.

Notification to Interested Parties

We are issuing and publishing this notice in accordance with sections 751(a)(1) and 777(i)(1) of the Act, 19 CFR 351.221(b)(5) and 19 CFR 351.213(h)(1).

Dated: May 11, 2026.

Christopher Abbott,

Deputy Assistant Secretary for Policy and Negotiations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance.

List of Topics Discussed in the Issues and Decision Memorandum

- I. Summary
- II. Background
- III. Changes Since the *Preliminary Results*
- IV. Application of Facts Available and Use of Adverse Inferences
- V. Discussion of the Issues
 - Comment 1: Whether To Apply Total Adverse Facts Available (AFA) to Wuyi Xilinde
 - Comment 2: Whether Commerce Should Revise Its Calculation of Wuyi Xilinde's Dumping Margin
- VI. Recommendation

[FR Doc. 2026-09755 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-570-601]

Tapered Roller Bearings and Parts Thereof, Finished or Unfinished From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2024-2025

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The U.S. Department of Commerce (Commerce) preliminarily finds that Shanghai Tainai Bearing Co., Ltd. (Tainai), the sole company subject to the administrative review of the antidumping duty order on tapered roller bearings and parts thereof, finished or unfinished (TRBs) from the People's Republic of China (China) covering the period of review (POR) June 1, 2024, through May 31, 2025, is not eligible to receive a separate rate and is, therefore, considered part of the China-wide entity. We invite interested parties to comment on these preliminary results.

DATES: Applicable May 15, 2026.

FOR FURTHER INFORMATION CONTACT: Jerry Xiao, AD/CVD Operations, Office II, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482-1246.

SUPPLEMENTARY INFORMATION:

Background

On February 26, 1990, Commerce published the *Order*¹ in the **Federal Register**. On June 3, 2025, Commerce notified interested parties of the opportunity to request an administrative review of the *Order*.² Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b)(2), JTEKT Bearings North America LLC (JTEKT Bearing) timely filed a request for an administrative review of Tainai.³ On July 25, 2025, in accordance with 19 CFR 351.221(c)(1)(i), Commerce published a notice of initiation of this administrative review.⁴

In the *Initiation Notice*, Commerce stated that exporters in a proceeding involving a non-market economy (NME) country must timely file a Separate Rate Application (SRA) or Separate Rate Certification (SRC) "if they want to be considered for individual examination," and provided an opportunity for interested parties to file SRCs or SRAs.⁵ We received no SRA or SRC from Tainai, the only company under review. Moreover, Tainai did not file a claim of no shipment. Because we received no SRA, SRC, or a claim of no shipment, as discussed below, Commerce finds that Tainai, the only company subject to this review, is part of the China-wide entity and is not eligible for individual examination. As a result, no preliminary decision memorandum accompanies this notice.

Due to the lapse in appropriations and Federal Government shutdown, on November 14, 2025, Commerce tolled all deadlines in administrative proceedings by 47 days.⁶ Additionally, due to a backlog of documents that were electronically filed via Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System during the Federal Government shutdown, on November 24, 2025, Commerce tolled all deadlines in administrative

proceedings by an additional 21 days.⁷ Accordingly, the deadline for these preliminary results is now May 11, 2026.

Scope of the Order

The product covered by the *Order* is TRBs from China. For a complete description of the scope of the *Order*, see the appendix to this notice.

Methodology

Commerce considers China to be an NME country.⁸ In accordance with section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority. Therefore, for these preliminary results, we treated China as an NME country and applied our current NME methodology in accordance with section 773(c) of the Act.

Separate Rate Determination

In all proceedings involving an NME country, Commerce maintains a rebuttable presumption that all companies are subject to government control and, thus, should be assessed a single weighted-average dumping margin with the exception of companies that can affirmatively demonstrate an absence of government control, both in law (*de jure*) and in fact (*de facto*), with respect to their exports (*i.e.*, can affirmatively demonstrate that they are eligible for a separate rate).⁹ Commerce has preliminarily determined that Tainai has not demonstrated its eligibility for a separate rate because it did not file a separate rate application or separate rate certification. Therefore, Commerce has preliminarily determined that Tainai is ineligible for a separate rate and is, thus, part of the China-wide

⁷ See Memorandum, "Tolling of all Case Deadlines," dated November 24, 2025.

⁸ See *Antidumping Duty Investigation of Certain Aluminum Foil from the People's Republic of China: Affirmative Preliminary Determination of Sales at Less-Than-Fair-Value and Postponement of Final Determination*, 82 FR 50858, 50861 (November 2, 2017), and accompanying Preliminary Decision Memorandum (PDM) at 7-8 (citing Memorandum, "China's Status as a Non-Market Economy," dated October 26, 2017), unchanged in *Certain Aluminum Foil from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 83 FR 9282 (March 5, 2018).

⁹ See 19 CFR 351.108(a)-(b); see also *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products from the People's Republic of China*, 71 FR 53079, 53082 (September 8, 2006); see also *Final Determination of Sales at Less Than Fair Value and Final Partial Affirmative Determination of Critical Circumstances: Diamond Sawblades and Parts Thereof from the People's Republic of China*, 71 FR 29303, 29307 (May 22, 2006).

¹ See *Tapered Roller Bearings from the People's Republic of China; Amendment to Final Determination of Sales at Less Than Fair Value and Antidumping Duty Order in Accordance with Decision Upon Remand*, 55 FR 6669 (February 26, 1990) (*Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review and Join Annual Inquiry Service List*, 90 FR 23515 (June 3, 2025).

³ See JTEKT Bearing's Letter, "Request for Administrative Review," dated June 30, 2025.

⁴ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 90 FR 35268 (July 25, 2025) (*Initiation Notice*).

⁵ *Id.*, 90 FR at 35269-70.

⁶ See Memorandum, "Deadlines Affected by the Shutdown of the Federal Government," dated November 14, 2025.

entity and subject to the China-wide entity rate (*i.e.*, 92.84 percent).

China-Wide Entity

Under Commerce's policy regarding the conditional review of the China-wide entity,¹⁰ the China-wide entity will not be under review unless a party specifically requests, or Commerce self-initiates, a review of the entity. Because no party requested a review of the China-wide entity during this POR, the China-wide entity is not under review, and the China-wide entity's rate (*i.e.*, 92.84 percent) is not subject to change.

Preliminary Results of Review

In this review, Tainai did not submit a SRC to certify that it continues to meet the criteria for obtaining a separate rate. Commerce considers all companies for which a review was requested, and which did not demonstrate separate rate eligibility, to be part of the China-wide entity.¹¹ Accordingly, we preliminary determine Tainai is part of the China-wide entity.

Disclosure

Normally, Commerce will disclose to the parties in a proceeding the calculations performed in connection with preliminary results of review within five days of any public announcement or, if there is no public announcement, within five days of the date of publication of the notice of preliminary results in the **Federal Register**, in accordance with 19 CFR 351.224(b). However, because Commerce finds that the sole exporter of TRBs subject to review is part of the China-wide entity and Commerce has not initiated a review of the China-wide entity, there are no calculations to disclose for these preliminary results of review.

Public Comment

Case briefs and other written comments may be submitted to the Assistant Secretary for Enforcement and Compliance. Pursuant to 19 CFR 351.309(c), we have modified the deadline for interested parties to submit case briefs to Commerce to no later than 21 days after the date of publication of this notice. Rebuttal briefs, limited to

issues raised in the case briefs, may be filed not later than five days after the date for filing case briefs.¹² Interested parties who submit case briefs or rebuttal briefs in this proceeding must submit: (1) a table of contents listing each issue; and (2) a table of authorities.¹³ An electronically filed document must be received successfully in its entirety in ACCESS by 5:00 p.m. Eastern Time (ET) on the established deadline.

As provided under 19 CFR 351.309(c)(2)(iii) and (d)(2)(iii), we request that interested parties provide at the beginning of their briefs a public, executive summary for each issue raised in their briefs.¹⁴ Further, we request that interested parties limit their public executive summary of each issue to no more than 450 words, not including citations. We intend to use the public executive summaries as the basis of the comment summaries included in the issues and decision memorandum that will accompany the final results in this administrative review. We request that interested parties include footnotes for relevant citations in the public executive summary of each issue. Note that Commerce has amended certain of its requirements pertaining to the service of documents in 19 CFR 351.303(f).¹⁵

Pursuant to 19 CFR 351.310(c), interested parties who wish to request a hearing must submit a written request to the Assistant Secretary for Enforcement and Compliance, filed electronically via ACCESS. An electronically filed hearing request must be received successfully in its entirety by Commerce's electronic records system, ACCESS, by 5:00 p.m. ET within 30 days after the date of publication of this notice.¹⁶ Hearing requests should contain: (1) the party's name, address and telephone number; (2) the number of participants; (3) whether any participant is a foreign national; and (4) a list of issues to be discussed. Issues raised in the hearing will be limited to those raised by each party in their respective case and rebuttal briefs. An electronically filed request must be received successfully in its entirety by ACCESS by 5:00 p.m. Eastern Time, within 30 days of the publication date of this notice. If a

request for a hearing is made, parties will be notified of the time and date of the hearing.¹⁷

Assessment Rates

In accordance with section 751(a)(2)(C) of the Act, the final results of this review shall be the basis for assessment of antidumping duties on entries of merchandise covered by this review.¹⁸ Upon issuance of the final results, Commerce shall determine, and CBP shall assess, antidumping duties on all appropriate entries covered by this review.¹⁹ Commerce intends to issue assessment instructions to CBP no earlier than 35 days after the date of publication of the final results of this review in the **Federal Register**. If a timely summons is filed at the U.S. Court of International Trade, the assessment instructions will direct CBP not to liquidate relevant entries until the time for parties to file a request for a statutory injunction has expired (*i.e.*, within 90 days of publication).

For the final results of this review, if we continue to find that Tainai is not eligible for a separate rate and treat it as part of the China-wide entity, we will instruct CBP to apply the *ad valorem* weighted-average dumping margin for the China-wide entity, *i.e.*, 92.84 percent,²⁰ to assess antidumping duties for all entries of subject merchandise during the POR which was exported by Tainai.

Cash Deposit Requirements

The following cash deposit requirements for estimated antidumping duties will be effective upon publication of the final results of this administrative review for all shipments of the subject merchandise from China entered, or withdrawn from warehouse, for consumption on or after the publication date, as provided for by section 751(a)(2)(C) of the Act: (1) for subject merchandise exported by a company with a separate rate from a previously completed segment of this proceeding, the cash deposit rate will continue to be the existing exporter-specific rate, or produced-exporter-specific rate, for that exporter, (2) for all exporters of subject merchandise that have not been found to be entitled to a separate rate, *i.e.*, the China-wide entity, the cash deposit rate will continue to be 92.84 percent. These cash deposit requirements, when imposed, shall remain in effect until further notice.

¹⁰ See *Antidumping Proceedings: Announcement of Change in Department Practice for Respondent Selection in Antidumping Duty Proceedings and Conditional Review of the Nonmarket Economy Entity in NME Antidumping Duty Proceedings*, 78 FR 65963 (November 4, 2013).

¹¹ See *Initiation Notice*, 90 FR at 35269 ("All firms listed below that wish to qualify for separate rate status in the administrative reviews involving NME countries must complete, as appropriate, either a separate rate application or certification, as described below.")

¹² See 19 CFR 351.309(d); see also *Administrative Protective Order, Service, and Other Procedures in Antidumping and Countervailing Duty Proceedings*, 88 FR 67069, 67077 (September 29, 2023) (*APO and Service Final Rule*).

¹³ See 19 CFR 351.309(c)(2) and (d)(2).

¹⁴ We use the term "issue" here to describe an argument that Commerce would normally address in a comment of the Issues and Decision Memorandum.

¹⁵ See *APO and Service Final Rule*.

¹⁶ See 19 CFR 351.301(c).

¹⁷ See 19 CFR 351.310(d).

¹⁸ See 19 CFR 351.212(b)(1).

¹⁹ *Id.*

²⁰ See *Order*.

Final Results of Review

Unless otherwise extended, Commerce intends to issue the final results of this administrative review, including the results of its analysis of issues raised in case and rebuttal briefs, within 120 days of publication of these preliminary results of review in the **Federal Register**, pursuant to section 751(a)(3)(A) of the Act.

Notification to Importers

This notice serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this POR. Failure to comply with this requirement could result in Commerce's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

Notification to Interested Parties

We are issuing and publishing these preliminary results of review in accordance with sections 751(a)(1) and 777(i)(1) of the Act, and 19 CFR 351.213 and 351.221(b)(4).

Dated: May 11, 2026.

Christopher Abbott,

Deputy Assistant Secretary for Policy and Negotiations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance.

Appendix

Scope of the Order

Imports covered by the *Order* are shipments of tapered roller bearings and parts thereof, finished and unfinished, from China; flange, take up cartridge, and hanger units incorporating tapered roller bearings; and tapered roller housings (except pillow blocks) incorporating tapered rollers, with or without spindles, whether or not for automotive use. These products are currently classifiable under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 8482.20.00, 8482.91.00.50, 8482.99.15, 8482.99.45, 8483.20.40, 8483.20.80, 8483.30.80, 8483.90.20, 8483.90.30, 8483.90.80, 8708.70.60.60, 8708.99.2300, 8708.99.27.00, 8708.99.4100, 8708.99.4850, 8708.99.6890, 8708.99.8115, and 8708.99.8180. Although the HTSUS item numbers are provided for convenience and customs purposes, the written description of the scope of the *Order* is dispositive.

[FR Doc. 2026-09756 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

International Trade Administration

[A-423-812]

Certain Carbon and Alloy Steel Cut-To-Length Plate From Belgium: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2023-2024

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

SUMMARY: The U.S. Department of Commerce (Commerce) determines that Industeel Belgium S.A. (Industeel) made sales of certain carbon and alloy steel cut-to-length plate (CTL plate) from Belgium at less than normal value during the period of review (POR), May 1, 2023, through April 30, 2024. Commerce also determines that NLMK Clabecq S.A., NLMK Plate Sales S.A., NLMK Sales Europe S.A., NLMK Manage Steel Center S.A., and NLMK La Louviere S.A. comprise a single entity (collectively, NLMK Belgium) and had no shipments to the United States during the POR.

DATES: Applicable May 15, 2026.

FOR FURTHER INFORMATION CONTACT: Jerry Xiao, AD/CVD Operations, Office II, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue NW, Washington, DC 20230; telephone: (202) 482-2273.

SUPPLEMENTARY INFORMATION:

Background

On September 11, 2025, Commerce published in the **Federal Register** the *Preliminary Results* and invited interested parties to comment.¹ Due to the lapse in appropriations and Federal Government shutdown, on November 14, 2025, Commerce tolled all deadlines in administrative proceedings by 47 days.² Additionally, due to a backlog of documents that were electronically filed via Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) during the Federal Government shutdown, on November 24, 2025, Commerce tolled all deadlines in administrative proceedings by an

¹ See *Certain Carbon and Alloy Steel Cut-To-Length Plate from Belgium: Preliminary Results and Rescission, in Part, of Antidumping Duty Administrative Review; 2023-2024*, 90 FR 44006 (September 11, 2025) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum.

² See Memorandum, "Deadlines Affected by the Shutdown of the Federal Government," dated November 14, 2025.

additional 21 days.³ On March 3, 2026, we extended the deadline for the final results until May 11, 2026.⁴

For a complete description of the events that occurred since the *Preliminary Results*, see the Issues and Decision Memorandum.⁵ The Issues and Decision Memorandum is a public document and is on file electronically via ACCESS. ACCESS is available to registered users at <https://access.trade.gov>. In addition, a complete version of the Issues and Decision Memorandum can be accessed directly at <https://access.trade.gov/frnotices>.

Commerce conducted this administrative review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act).

Scope of the Order

The merchandise subject to the *Order* is CTL plates from Belgium. A full description of the scope of the *Order* is contained in the Issues and Decision Memorandum.

Analysis of Comments Received

All issues raised in the case and rebuttal briefs are addressed in the Issues and Decision Memorandum and are listed in the appendix to this notice.

Changes Since the Preliminary Results

Based on a review of the record and comments received from interested parties regarding our *Preliminary Results*, and for the reasons explained in the Issues and Decision Memorandum, Commerce made certain changes to the preliminary weighted-average dumping margin calculations for Industeel.⁶ We also determined, based on record information, that NMLK Belgium⁷ did not have knowledge that the subject merchandise it produced was destined for the United States. Therefore, we determine that NMLK Belgium made no shipments of subject merchandise

³ See Memorandum, "Tolling of all Case Deadlines," dated November 24, 2025.

⁴ See Memorandum, "Extension of Deadline for Final Results of Antidumping Duty Administrative Review," dated March 3, 2026.

⁵ See Memorandum, "Issues and Decision Memorandum for the Final Results of the Administrative Review of the Antidumping Duty Order on Certain Carbon and Alloy Steel Cut-To-Length Plate from Belgium; 2023-2024," dated concurrently with, and hereby adopted by, this notice (Issues and Decision Memorandum).

⁶ See Issues and Decision Memorandum.

⁷ We previously determined that NLMK Clabecq S.A.; NLMK Plate Sales S.A.; NLMK Sales Europe S.A.; NLMK Manage Steel Center S.A.; and NLMK La Louviere S.A. comprise a single entity (collectively, NLMK Belgium) in the less-than-fair-value investigation. See *Certain Carbon and Alloy Steel Cut-To-Length Plate from Belgium: Final Determination of Sales at Less Than Fair Value and Final Determination of Critical Circumstances*, in Part, 82 FR 16378 (April 4, 2017).

during the POR. For a full discussion of these changes, *see* the Issues and Decision Memorandum.

Final Results of Review

As a result of this review, we determine that the following estimated weighted-average dumping margin exists for the period May 1, 2023, through April 30, 2024:

Producer/exporter	Weighted-average dumping margin (percent)
Industeel Belgium S.A	5.78

Disclosure

Commerce intends to disclose the calculations performed in connection with these final results of review to interested parties within five days after public announcement of the final results or, if there is no public announcement, within five days of the date of publication of this notice in the **Federal Register**, in accordance with 19 CFR 351.224(b).

Assessment Rates

Pursuant to section 751(a)(2)(C) of the Act, and 19 CFR 351.212(b)(1), Commerce has determined, and U.S. Customs and Border Protection (CBP) shall assess, antidumping duties on all appropriate entries of subject merchandise in accordance with the final results of this review. For these final results, we will instruct CBP to apply an *ad valorem* assessment rate equal to the dumping margin shown above for all entries of subject merchandise during the POR which were produced and/or exported by Industeel.

Commerce's "automatic assessment" will apply to entries of subject merchandise during the POR produced by Industeel in these final results of review for which Industeel did not know that the merchandise it sold to the intermediary (*e.g.*, a reseller, trading company, or exporter) was destined for the United States. In such instances, we will instruct CBP to liquidate unreviewed entries at the all-others rate if there is no rate for the intermediate company(ies) involved in the transaction.

For NLMK Belgium, we will instruct CBP to liquidate any existing entries of NLMK Belgium but exported by other parties at the rate of the intermediate reseller, if available, or at the all-others rate.⁸

Commerce intends to issue assessment instructions to CBP no earlier than 35 days after the date of publication of the final results of this review in the **Federal Register**. If a timely summons is filed at the U.S. Court of International Trade, the assessment instructions will direct CBP not to liquidate relevant entries until the time for parties to file a request for a statutory injunction has expired (*i.e.*, within 90 days of publication).

Cash Deposit Requirements

Upon publication of this notice in the **Federal Register**, the following cash deposit requirements will be effective for all shipments of the subject merchandise entered, or withdrawn from warehouse, for consumption on or after the publication date of the final results of this administrative review, as provided by section 751(a)(2)(C) of the Act: (1) the cash deposit rate for Industeel will be equal to the weighted-average dumping margin established in the final results of this review; (2) for merchandise exported by producers or exporters not covered in this review but covered in a prior completed segment of the proceeding, the cash deposit will continue to be the company-specific rate published in the completed segment for the most recently completed period; (3) if the exporter is not a firm covered in this review, a prior review, or the original less-than-fair-value (LTFV) investigation, but the producer has been covered in a prior completed segment of this proceeding, then the cash deposit rate will be the rate established in the completed segment for the most recent period for the producer of the merchandise; and (4) the cash deposit rate for all other producers or exporters will continue to be 5.40 percent, the all-others rate established in the LTFV investigation for this proceeding.⁹ These deposit requirements, when imposed, shall remain in effect until further notice.

Notification to Importers

This notice serves as a final reminder to importers of their responsibility under 19 CFR 351.402(f)(2) to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in Commerce's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

⁸ *Assessment of Antidumping Duties*, 68 FR 23954 (May 6, 2003).

⁹ *See Order*, 82 FR at 24098.

Notification Regarding Administrative Protective Order

This notice serves as the only reminder to parties subject to administrative protective order (APO) of their responsibility concerning the disposition of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3), which continues to govern business proprietary information in this segment of the proceeding. Timely written notification of return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and the terms of an APO is a violation subject to sanction.

Notification to Interested Parties

We are issuing and publishing this notice in accordance with sections 751(a)(1) and 777(i) of the Act, and 19 CFR 351.221(b)(5).

Dated: May 11, 2026.

Christopher Abbott,

Deputy Assistant Secretary for Policy and Negotiations, performing the non-exclusive functions and duties of the Assistant Secretary for Enforcement and Compliance.

Appendix

List of Topics Discussed in the Issues and Decision Memorandum

- I. Summary
- II. Background
- III. Scope of the Order
- IV. Changes Since the *Preliminary Results*
- V. Discussion of Issues
 - Comment 1: Differential Pricing Test
 - Comment 2: Whether NMLK Belgium Should Be Assigned the All-Others Rate
 - Comment 3: Correction of Ministerial Error
- VI. Recommendation

[FR Doc. 2026-09753 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-DS-P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[RTID 0648-XF718]

Takes of Marine Mammals Incidental to Specified Activities; Taking Marine Mammals Incidental to the Alaska Department of Transportation and Public Facilities Angoon Ferry Terminal Modification Project in Angoon, Alaska

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice; issuance of incidental harassment authorization.

⁸ For a full discussion of this practice, *see Antidumping and Countervailing Duty Proceedings:*

SUMMARY: NMFS has received a request from the Alaska Department of Transportation and Public Facilities (ADOT&PF) for the re-issuance of a previously issued incidental harassment authorization (IHA) with the only change being effective dates. The initial IHA authorized take of 8 species (12 stocks) of marine mammals, by harassment only, associated with the Angoon Ferry Terminal Modifications Project in Angoon, Alaska. The project has been delayed and none of the work covered in the initial IHA has been conducted. The scope of the activities and anticipated effects remain the same, authorized take numbers are not changed, and the required mitigation, monitoring, and reporting remains the same as included in the initial IHA. NMFS is, therefore, issuing a second identical IHA to cover the incidental take analyzed and authorized in the initial IHA.

DATES: This authorization is effective from June 1, 2027, through May 31, 2028.

ADDRESSES: An electronic copy of the final 2025 IHA previously issued to the ADOT&PF, the ADOT&PF's application, and the **Federal Register** notices proposing and issuing the initial IHA may be obtained by visiting <https://www.fisheries.noaa.gov/action/incidental-take-authorization-alaska-department-transportation-and-public-facilities-angoon>. In case of problems accessing these documents, please call the contact listed below (see **FOR FURTHER INFORMATION CONTACT**).

FOR FURTHER INFORMATION CONTACT: Austin Demarest, Office of Protected Resources, NMFS, (301) 427-8401.

SUPPLEMENTARY INFORMATION:

Background

Sections 101(a)(5)(A) and (D) of the Marine Mammal Protection Act (MMPA; 16 U.S.C. 1361 *et seq.*) direct the Secretary of Commerce (as delegated to NMFS) to allow, upon request, the incidental, but not intentional, taking of small numbers of marine mammals by U.S. citizens who engage in a specified activity (other than commercial fishing) within a specified geographical region if certain findings are made and either regulations are issued or, if the taking is limited to harassment, a notice of a proposed authorization is provided to the public for review.

An authorization for incidental takings shall be granted if NMFS finds that the taking will have a negligible impact on the species or stock(s), will not have an unmitigable adverse impact on the availability of the species or stock(s) for subsistence uses (where

relevant), and if the permissible methods of taking and requirements pertaining to the mitigation, monitoring and reporting of such takings are set forth.

NMFS has defined “negligible impact” in 50 CFR 216.103 as an impact resulting from the specified activity that cannot be reasonably expected to, and is not reasonably likely to, adversely affect the species or stock through effects on annual rates of recruitment or survival.

The MMPA states that the term “take” means to harass, hunt, capture, kill or attempt to harass, hunt, capture, or kill any marine mammal.

Except with respect to certain activities not pertinent here, the MMPA defines “harassment” as any act of pursuit, torment, or annoyance which (i) has the potential to injure a marine mammal or marine mammal stock in the wild (Level A harassment); or (ii) has the potential to disturb a marine mammal or marine mammal stock in the wild by causing disruption of behavioral patterns, including, but not limited to, migration, breathing, nursing, breeding, feeding, or sheltering (Level B harassment).

Summary of Request

On June 5, 2025, NMFS issued an IHA authorizing take of marine mammals incidental to the Angoon Ferry Terminal Modifications Project in Angoon, Alaska (90 FR 24385, June 10, 2025). The initial IHA would have been effective for 1 year, with an expiration date not later than June 4, 2027. On March 24, 2026, the ADOT&PF informed NMFS that the project was delayed. None of the work identified in the initial IHA (*e.g.*, down-the-hole drilling (DTH), impact and vibratory pile driving, and vibratory pile removal) has occurred. On April 29, 2026, the ADOT&PF submitted a request that we reissue an identical IHA that would be effective from June 1, 2027 through May 31, 2028, in order to conduct the construction work that was analyzed and authorized through the previously issued IHA. Therefore, re-issuance of the IHA is appropriate.

Summary of Specified Activity and Anticipated Impacts

The planned activities (including mitigation, monitoring, and reporting), authorized incidental take, and anticipated impacts on the affected stocks are the same as those analyzed and authorized through the previously issued IHA.

The purpose of the ADOT&PF's construction project is to make improvements to the existing Angoon Ferry Terminal to accommodate the new larger Alaska Class Vessel berthing. The

need for the proposed action is to modify the existing Angoon Ferry Terminal because the original ferry terminal was designed for the Alaska Marine Highway System fast ferries and motor vessels, but ADOT&PF is in the process of replacing these aging vessels with longer and wider Alaska Class Ferries. The location, timing, and nature of the activities, including the types of equipment planned for use, are identical to those described in the initial IHA. The mitigation and monitoring are also as prescribed in the initial IHA.

Species that are expected to be taken by the planned activity include humpback whale (*Megaptera novaeangliae*), minke whale (*Balaenoptera acutorostrata*), killer whale (*Orcinus orca*), Pacific white-sided dolphin (*Lagenorhynchus obliquidens*), Dall's porpoise (*Phocoenoides dalli*), harbor porpoise (*Phocoena phocoena*), Steller sea lion (*Eumetopias jubatus*), and harbor seal (*Phoca vitulina*). A description of the methods and inputs used to estimate take anticipated to occur and, ultimately, the take that was authorized is found in the previous documents referenced above. The data inputs and methods of estimating take are identical to those used in the initial IHA. NMFS has reviewed recent Stock Assessment Reports, information on relevant Unusual Mortality Events, and recent scientific literature, and determined that no new information affects our original analysis of impacts or take estimate under the initial IHA.

We refer to the documents related to the previously issued IHA, which include the **Federal Register** notice of the issuance of the initial 2025 IHA for the ADOT&PF's construction work (90 FR 24385, June 10, 2025), the ADOT&PF's application, the **Federal Register** notice of the proposed IHA (90 FR 13463, March 24, 2025), and all associated references and documents.

Determinations

The ADOT&PF will conduct activities as analyzed in the initial 2025 IHA. As described above, the number of authorized takes of the same species and stocks of marine mammals are identical to the numbers that were found to meet the negligible impact and small numbers standards and authorized under the initial IHA, and no new information has emerged that would change those findings. The re-issued IHA includes identical required mitigation, monitoring, and reporting measures as the initial IHA, and there is no new information suggesting that our analysis or findings should change.

Based on the information contained here and in the referenced documents, NMFS has determined the following: (1) the required mitigation measures will effect the least practicable impact on marine mammal species or stocks and their habitat; (2) the authorized takes will have a negligible impact on the affected marine mammal species or stocks; (3) the authorized takes represent small numbers of marine mammals relative to the affected stock abundances; and (4) the ADOT&PF's activities will not have an unmitigable adverse impact on taking for subsistence purposes as no subsistence uses of marine mammals are affected by this action.

National Environmental Policy Act

To comply with the National Environmental Policy Act of 1969 (NEPA; 42 U.S.C. 4321 *et seq.*) and NOAA Administrative Order (NAO) 216-6A, NMFS must review our proposed action (*i.e.*, the issuance of the IHA) with respect to potential impacts on the human environment.

This action is consistent with categories of activities identified in CE B4 of the Companion Manual for NAO 216-6A, which do not individually or cumulatively have the potential for significant impacts on the quality of the human environment and for which we have not identified any extraordinary circumstances that would preclude this categorical exclusion. Accordingly, NMFS determined that the issuance of the initial IHA qualified to be categorically excluded from further NEPA review. NMFS has determined that the application of this categorical exclusion remains appropriate for this reissued IHA.

Endangered Species Act

Section 7(a)(2) of the Endangered Species Act of 1973 (ESA; 16 U.S.C. 1531 *et seq.*) requires that each Federal agency insure that any action it authorizes, funds, or carries out is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of designated critical habitat. To ensure ESA compliance for the issuance of IHAs, NMFS consults internally, in this case with the Alaska Regional Office, whenever we propose to authorize take of endangered or threatened species.

The effects of this proposed Federal action were adequately analyzed in NMFS' Biological Opinion for the Angoon Ferry Terminal Project, dated June 3, 2025, which concluded that the take NMFS proposed to authorize through this IHA would not jeopardize

the continued existence of any endangered or threatened species or destroy or adversely modify any designated critical habitat.

Authorization

NMFS has issued an IHA to the ADOT&PF for in-water construction activities associated with the specified activity from June 1, 2027 through May 31, 2028. All previously described mitigation, monitoring, and reporting requirements from the initial 2025 IHA are incorporated.

Dated: May 13, 2026.

Kimberly Damon-Randall,

*Director, Office of Protected Resources,
National Marine Fisheries Service.*

[FR Doc. 2026-09794 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-22-P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[RTID 0648-XF673]

Takes of Marine Mammals Incidental to Specified Activities; Taking Marine Mammals Incidental to Homer Harbor System Four Float Replacement Project

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice; issuance of incidental harassment authorization.

SUMMARY: In accordance with regulations implementing the Marine Mammal Protection Act (MMPA) as amended, notification is hereby given that NMFS has issued an incidental harassment authorization (IHA) to the City of Homer (Homer) for authorization to take marine mammals incidental to Homer Harbor System Four Float Replacement Project in Homer, AK.

DATES: This authorization is effective for 1 year from the date of notification by the IHA-holder, not to exceed 1 year from the date of issuance (May 13, 2026).

ADDRESSES: Electronic copies of the application and supporting documents, as well as a list of the references cited in this document, may be obtained online at: <https://www.fisheries.noaa.gov/action/incidental-take-authorization-city-homers-homer-harbor-system-four-float-replacement-project>. In case of problems accessing these documents, please call the contact listed below.

FOR FURTHER INFORMATION CONTACT: Craig Cockrell, Office of Protected Resources, NMFS, (301) 427-8401.

SUPPLEMENTARY INFORMATION:

MMPA Background and Determinations

The MMPA prohibits the "take" of marine mammals, with certain exceptions. Among the exceptions is section 101(a)(5)(D) of the MMPA (16 U.S.C. 1361 *et seq.*) which directs the Secretary of Commerce (as delegated to NMFS) to allow, upon request, the incidental, but not intentional, taking by harassment of small numbers of marine mammals by U.S. citizens who engage in a specified activity (other than commercial fishing) within a specified geographical region if certain findings are made and the public has an opportunity to comment on the proposed IHA.

Specifically, NMFS shall issue an IHA if it finds that the taking will have a negligible impact on the species or stock(s) and will not have an unmitigable adverse impact on the availability of the species or stock(s) for taking for subsistence uses (where relevant). Further, NMFS must prescribe the permissible methods of taking and other "means of effecting the least [practicable] adverse impact" on the affected species or stocks and their habitat, paying particular attention to rookeries, mating grounds, and areas of similar significance, and on the availability of such species or stocks for taking for certain subsistence uses (referred to here as "mitigation"). NMFS must also prescribe requirements pertaining to the monitoring and reporting of such takings. The definitions of key terms, such as "take," "harassment," and "negligible impact," can be found in the MMPA and the NMFS' implementing regulations (see 16 U.S.C. 1362; 50 CFR 216.103).

On April 2, 2026, a notice of NMFS' proposal to issue an IHA to Homer for take of marine mammals incidental to Homer Harbor System Four Float Replacement Project in Homer, AK was published in the **Federal Register** (91 FR 16651). In that notice, NMFS indicated the estimated numbers, type, and methods of incidental take proposed for each species or stock, as well as the mitigation, monitoring, and reporting measures that would be required should the IHA be issued. The **Federal Register** notice also included analysis to support NMFS' preliminary conclusions and determinations that the IHA, if issued, would satisfy the requirements of section 101(a)(5)(D) of the MMPA for issuance of the IHA. The **Federal Register** notice included web

links to a draft IHA for review, as well as other supporting documents.

No comments were received during the public comment period. There are no changes to the specified activity, the species taken, the proposed numbers, type, or methods of take, or the mitigation, monitoring, or reporting measures in the proposed IHA notice. No new information that would change any of the preliminary analyses, conclusions, or determinations in the proposed IHA notice has become available since that notice was published, and therefore, the preliminary analyses, conclusions, and determinations included in the proposed IHA are considered final.

National Environmental Policy Act

To comply with the National Environmental Policy Act of 1969 (NEPA; 42 U.S.C. 4321 *et seq.*) and NOAA Administrative Order (NAO) 216-6A, NMFS must review our proposed action (*i.e.*, the issuance of an IHA) with respect to potential impacts on the human environment.

This action is consistent with categories of activities identified in Categorical Exclusion B4 (IHAs with no anticipated serious injury or mortality) of the Companion Manual for NOAA Administrative Order 216-6A, which do not individually or cumulatively have the potential for significant impacts on the quality of the human environment and for which we have not identified any extraordinary circumstances that would preclude this categorical exclusion. Accordingly, NMFS has determined that the issuance of the IHA qualifies to be categorically excluded from further NEPA review.

Endangered Species Act

Section 7(a)(2) of the Endangered Species Act of 1973 (ESA; 16 U.S.C. 1531 *et seq.*) requires that each Federal agency ensures that any action it authorizes, funds, or carries out is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of designated critical habitat. To ensure ESA compliance for the issuance of IHAs, NMFS consults internally whenever we propose to authorize take for endangered or threatened species.

NMFS is authorizing take of the Mexico DPS of humpback whales (*Megaptera novaeangliae*) and the western DPS of Stellar sea lions (*Eumetopias jubatus*), which are listed under the ESA. The NMFS Alaska Regional Office issued a Biological Opinion under section 7 of the ESA, on the issuance of an IHA to Homer under

section 101(a)(5)(D) of the MMPA by the NMFS Office of Protected Resources.

The Biological Opinion concluded that the action is not likely to jeopardize the continued existence and is not likely to destroy or adversely modify critical habitats of these species.

Authorization

Accordingly, consistent with the requirements of section 101(a)(5)(D) of the MMPA, NMFS has issued an IHA to Homer for authorization to take marine mammals incidental to Homer Harbor System Four Float Replacement Project in Homer, AK.

Dated: May 13, 2026.

Kimberly Damon-Randall,

*Director, Office of Protected Resources,
National Marine Fisheries Service.*

[FR Doc. 2026-09800 Filed 5-14-26; 8:45 am]

BILLING CODE 3510-22-P

DEPARTMENT OF COMMERCE

National Oceanic and Atmospheric Administration

[RTID 0648-XF698]

Takes of Marine Mammals Incidental to Specified Activities; Taking Marine Mammals Incidental to the Port of Adak Pier 5 Improvements Project at Adak Island, Alaska

AGENCY: National Marine Fisheries Service (NMFS), National Oceanic and Atmospheric Administration (NOAA), Commerce.

ACTION: Notice; issuance of incidental harassment authorization.

SUMMARY: In accordance with regulations implementing the Marine Mammal Protection Act (MMPA) as amended, notification is hereby given that NMFS has issued an incidental harassment authorization (IHA) to The Aleut Corporation (TAC) for authorization to take marine mammals incidental to the Port of Adak Pier 5 Improvements Project at Adak Island, Alaska.

DATES: This authorization is effective for 1 year from the date of notification by the IHA-holder, not to exceed 1 year from the date of issuance (May 12, 2026).

ADDRESSES: Electronic copies of the application and supporting documents, as well as a list of the references cited in this document, may be obtained online at: <https://www.fisheries.noaa.gov/national/marine-mammal-protection/incidental-take-authorizations-construction-activities>. In case of problems accessing these

documents, please call the contact listed below.

FOR FURTHER INFORMATION CONTACT: Howard Goldstein, Office of Protected Resources, NMFS, (301) 427-8417.

SUPPLEMENTARY INFORMATION:

MMPA Background and Determinations

The MMPA prohibits the “take” of marine mammals, with certain exceptions. Among the exceptions is section 101(a)(5)(D) of the MMPA (16 U.S.C. 1361 *et seq.*) which directs the Secretary of Commerce (as delegated to NMFS) to allow, upon request, the incidental, but not intentional, taking by harassment of small numbers of marine mammals by U.S. citizens who engage in a specified activity (other than commercial fishing) within a specified geographical region if certain findings are made and the public has an opportunity to comment on the proposed IHA.

Specifically, NMFS shall issue an IHA if it finds that the taking will have a negligible impact on the species or stock(s) and will not have an unmitigable adverse impact on the availability of the species or stock(s) for taking for subsistence uses (where relevant). Further, NMFS must prescribe the permissible methods of taking and other “means of effecting the least [practicable] adverse impact” on the affected species or stocks and their habitat, paying particular attention to rookeries, mating grounds, and areas of similar significance, and on the availability of the species or stocks for taking for certain subsistence uses (referred to here as “mitigation”). NMFS must also prescribe requirements pertaining to the monitoring and reporting of such takings. The definitions of key terms, such as “take,” “harassment,” and “negligible impact,” can be found in the MMPA and the NMFS’ implementing regulations (see 16 U.S.C. 1362; 50 CFR 216.103).

On March 12, 2026, a notice of NMFS’ proposal to issue an IHA to TAC for take of marine mammals incidental to the Port of Adak Pier 5 Improvements Project at Adak Island, Alaska was published in the **Federal Register** (91 FR 12148). In that notice, NMFS indicated the estimated numbers, type, and methods of incidental take proposed for each species or stock, as well as the mitigation, monitoring, and reporting measures that would be required should the IHA be issued. The **Federal Register** notice also included analysis to support NMFS’ preliminary conclusions and determinations that the IHA, if issued, would satisfy the

requirements of section 101(a)(5)(D) of the MMPA for the issuance of the IHA. The **Federal Register** notice included web links to a draft IHA for review, as well as other supporting documents.

No substantive comments were received during the 30-day public comment period. There are no changes to the specified activity, the species taken, the proposed numbers, type, or methods of take, or the mitigation, monitoring, or reporting measures in the proposed IHA notice. No new information that would change any of the preliminary analyses, conclusions, or determinations in the proposed IHA notice has become available since that notice was published, and therefore, the preliminary analyses, conclusions, and determinations included in the proposed IHA are considered final.

National Environmental Policy Act

To comply with the National Environmental Policy Act of 1969 (NEPA; 42 U.S.C. 4321 *et seq.*) and NOAA Administrative Order (NAO) 216–6A, NMFS must review our proposed action (*i.e.*, the issuance of an IHA) with respect to potential impacts on the human environment. This action is consistent with categories of activities identified in Categorical Exclusion B4 (IHAs with no anticipated serious injury or mortality) of the Companion Manual for NAO 216–6A, which do not individually or cumulatively have the potential for significant impacts on the quality of the human environment and for which we have not identified any extraordinary circumstances that would preclude this categorical exclusion. Accordingly, NMFS has determined that the issuance of the IHA qualifies to be categorically excluded from further NEPA review.

Endangered Species Act

Section 7(a)(2) of the Endangered Species Act (ESA; 16 U.S.C. 1531 *et seq.*) requires that each Federal agency insure that any action it authorizes, funds, or carries out is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of designated critical habitat. To ensure ESA compliance for the issuance of IHAs, NMFS consults internally whenever we propose to authorize take for endangered or threatened species, in this case with the Alaska Regional Office.

NMFS Office of Protected Resources (OPR) is authorizing take of Mexico DPS of humpback whale, Western North Pacific DPS of humpback whale, and Western DPS of Steller sea lion which are listed under the ESA. We have

determined that the action is likely to adversely affect these species of marine mammals and requested initiation of section 7 consultation with the NMFS Alaska Regional Office for the issuance of this IHA. The resultant Biological Opinion determined that the action was not likely to jeopardize the continued existence of Mexico DPS of humpback whale, Western North Pacific DPS of humpback whale, and Western DPS of Steller sea lion or adversely modify critical habitat.

Authorization

Accordingly, consistent with the requirements of section 101(a)(5)(D) of the MMPA, NMFS has issued an IHA to TAC for authorization to take marine mammals incidental to the Port of Adak Pier 5 Improvements Project at Adak Island, Alaska.

Dated: May 12, 2026.

Kimberly Damon-Randall,

*Director, Office of Protected Resources,
National Marine Fisheries Service.*

[FR Doc. 2026–09776 Filed 5–14–26; 8:45 am]

BILLING CODE 3510–22–P

COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

Procurement List; Additions

AGENCY: Committee for Purchase From People Who Are Blind or Severely Disabled.

ACTION: Addition to the Procurement List.

SUMMARY: This action adds product(s) to the Procurement List that will be furnished by nonprofit agencies employing persons who are blind or have other severe disabilities.

DATES: *Date added to and deleted from the Procurement List:* May 31, 2026.

ADDRESSES: Committee for Purchase From People Who Are Blind or Severely Disabled, 250 E Street SW, Suite 3100, Washington, DC 20024.

FOR FURTHER INFORMATION CONTACT: For further information or to submit comments contact: Michael R. Jurkowski, Telephone: (703) 489–1322, or email CMTEFedReg@AbilityOne.gov.

SUPPLEMENTARY INFORMATION:

Addition

On February 6, 2026, the Committee for Purchase From People Who Are Blind or Severely Disabled (operating as the U.S. AbilityOne Commission) published an initial notice of proposed additions to the Procurement Lists. (91 FR 5435) This final notice is published

pursuant to 41 U.S.C. 8503(a)(2) and 41 CFR 51–2.3. The Committee has determined that the product listed below is suitable for procurement by the Federal Government and has added this product to the Procurement List. In accordance with 41 CFR 51–5.2, the Committee has authorized the qualified nonprofit agencies described with the product as the mandatory source(s) of supply. Additionally, in accordance with 41 CFR 51–2.4, the Committee considered relevant information from the contracting activity that this (product) requirement is not applicable to other Federal entities and has granted the activity's requested preference for purchase or distribution. This product is not available through the Commission's Commercial Distribution Program, and other Federal entities wishing to purchase this product must contact the contracting activity listed directly for information on purchase availability.

After consideration of the material presented to it concerning capability of qualified nonprofit agencies to provide the product(s) and impact of the additions on the current or most recent contractors, the Committee has determined that the product(s) listed below are suitable for procurement by the Federal Government under 41 U.S.C. 8501–8506 and 41 CFR 51–2.4.

Regulatory Flexibility Act Certification

End of Certification

1. The action will not result in additional reporting, recordkeeping or other compliance requirements for small entities.

2. The action may result in authorizing small entities to furnish the product(s) and service(s) to the Government.

3. There are no known regulatory alternatives which would accomplish the objectives of the Javits-Wagner-O'Day Act (41 U.S.C. 8501–8506) in connection with the product(s) and service(s) deleted from the Procurement List.

End of Certification

Accordingly, the following product(s) are added to the Procurement List:

Product(s)

NSN(s)—Product Name(s)
6545–01–689–9365—Kit, Standard Vehicle, Medical

Authorized Source of Supply: The Lighthouse for the Blind, Inc. (Seattle Lighthouse), Seattle, WA

Mandatory For: DEPT OF DEFENSE
Contracting Activity: DEPT OF DEFENSE, DLA TROOP SUPPORT

The Committee finds good cause to dispense with the 30-day delay in the

effective date normally required by the Administrative Procedure Act. See 5 U.S.C. 553(d). This addition to the Committee's Procurement List is effectuated because of the needs of the Defense Logistics Agency Troop Support (DLATS) to place orders for the product. The Federal customer contacted and has worked diligently with the AbilityOne Program to fulfill this product under the AbilityOne Program. To avoid performance disruption, and the possibility that the DLATS will refer its business elsewhere, this addition must be effective on May 31, 2026. The Committee published an initial notice of proposed Procurement List addition in the **Federal Register** on February 6, 2026 (91 FR 5435) but did not receive any comments. This addition will not create a public hardship and has limited effect on the public at large. Rather, this addition will create new jobs for other affected parties—people with significant disabilities in the AbilityOne program who otherwise face challenges locating employment.

Michael R. Jurkowski,
Director, Business Operations.

[FR Doc. 2026-09746 Filed 5-14-26; 8:45 am]

BILLING CODE 6353-01-P

DEPARTMENT OF DEFENSE

Office of the Secretary of Defense

Renewal of Department of Defense Federal Advisory Committees—Air University Board of Visitors

AGENCY: Department of Defense (DoD).

ACTION: Renewal of Federal Advisory Committee.

SUMMARY: The Department of War (DoW) is publishing this notice to announce it is renewing the Air University Board of Visitors (AU BoV) as a discretionary Federal advisory committee.

FOR FURTHER INFORMATION CONTACT: Jim Freeman, Advisory Committee Management Officer for the DoW, 703-692-5952.

SUPPLEMENTARY INFORMATION: The DoW is renewing the AU BoV in accordance with chapter 10 of title 5 United States Code (U.S.C.) (commonly known as the "Federal Advisory Committee Act" or "FACA") and 41 Code of Federal Regulations (CFR) 102-3.50(d), and DoW policies and procedures. The public or interested organizations may submit written statements about the AU BoV mission and functions. Written statements may be submitted at any

time or in response to the stated agenda of planned meetings of the AU BoV. All written statements shall be submitted to the AU BoV Designated Federal Officer (DFO), and this individual will ensure that all written statements are provided to the membership for their consideration. The AU BoV's DFO is Dr. Ella Temple, and she may be contact at (334) 953-3063, or ella.temple@us.af.mil.

Consistent with 41 CFR 102-3.65(a), the DoW is publishing the AU BoV's Public Interest Determination.

Pursuant to 41 CFR 102-3.60(a), to establish, renew, reestablish, or merge a discretionary (agency discretion) advisory committee, an agency must first consult with the General Services Administration's Committee Management Secretariat (the Secretariat) and, as part of the consultation, provide a written public interest determination approved by the head of the agency to the Secretariat with a copy to the Office of Management and Budget. In addition, pursuant to 41 CFR 102-3.35, an agency shall follow the same consultation process and document in writing the same determination of need before creating a subcommittee under a discretionary committee that is not made up entirely of members of a parent advisory committee. Information on the following factors for the Air University Board of Visitors (AU BoV) is provided to the Secretariat to demonstrate that renewing the AU BoV is in the public interest:

1. *Annual Budget:* The estimated annual operating cost of the AU BoV, to include personnel, travel, meetings, and contract support, is approximately \$143,000.

a. Federal personnel on a full-time equivalent (FTE) basis: The estimated AU BoV's annual fully burdened personnel cost to the DoW is .75 full-time equivalents at \$120,000, which includes basic pay with cost-of-living allowances (COLA).

b. Other Federal internal costs: Other administrative costs for the AU BoV is \$1,000.

c. Proposed payments to members: Consistent with 10 U.S.C. 173, members of the AU BoV are not compensated for their services, except for travel and per diem reimbursement for official AU BoV-related business.

d. Proposed number of members: As authorized by the Secretary of War (SecWar), the AU BoV will be composed of not more than 15 members.

e. Reimbursable costs: The estimated reimbursement costs, to include travel, for AU BoV staff and members are \$22,000.

2. *If applicable, the total dollar value of grants expected to be recommended during the fiscal year:* N/A.

3. *Criteria for selecting members to ensure the committee has the necessary expertise and fairly balanced membership:* As described in its proposed charter and membership balance plan, the AU BoV is composed of members who are eminent authorities air, space, cyberspace, defense, management, leadership, and academia.

In selecting members, the DoW seeks to capitalize on recognized talented, innovative private and public sector leaders to provide the broadest knowledge and expertise based on a balanced AU BoV membership composition. The AU BoV membership is not static, and the SecWar and Deputy Secretary of War ("the DoW Appointing Authority") may change the membership based upon work assigned to the AU BoV by the DoW Appointing Authority or the Secretary of the Air Force, as the AU BoV's DoW Sponsor.

4. *List of all other DoW Federal Advisory Committees:* A complete listing of DoW Federal advisory committees can be located at: <https://www.facadatabase.gov/FACA/s/account/001t000000DCAooAAH/departement-of-defense>.

5. *Justification that the information or advice provided by the Federal advisory committee or subcommittee is not available from another Federal advisory committee, another Federal Government source, or any other more cost-effective and less burdensome source:* The AU BOV provides independent, multidisciplinary advisory expertise spanning air, space, cyberspace, defense, management, leadership, and academia—a composition no commercial consulting service can replicate at equivalent cost. The AU BoV provides advice and recommendations on the educational, doctrinal, and research policies of Air University. While ultimate authority over Air University resides within the DoW chain of command, civilian accrediting bodies (like the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) and Higher Learning Commission (HLC)) require higher education institutions to maintain an independent board. The AU BoV fulfills accreditation governing board requirements under SACSCOC and HLC standards by acting as an independent advisory body. Without this body, AU risks loss of civilian accreditation, directly threatening force recruiting, retention, and graduate credibility across the Department.

The AU BoV provides expert advice and recommendations of all new courses, degree plans, and financial management functions, ensuring that AU continues to operate rigorous educational programs that are perfectly aligned with the AU's mission, and as an extension, the DoW's Joint Professional Military Education Program.

6. *If the consultation is a committee renewal, a summary of the previous accomplishments of the committee and the reasons it needs to continue:* AU BoV 2020–2024 Accomplishments: the AU BoV's advice and recommendations to the DoW and the Department of the Air Force resulted in the following:

- Completion of a full review of all academic programs to inform DoW so that DoW could ensure alignment with Air Force Science, Technology, Engineering, and Mathematics needs.
- Integration of data analytics into the graduate curriculum and Professional Continuing Education (PCE) courses.
- The launch of an initiative entitled “AD–21 Initiative” is designed to provide faculty with salaried, part-time research and teaching assistants.
- Improvement of the established process for promotion and tenure to faculty temporary duty (TDYs) to collaborate with high-priority hubs like AFWERX.
- Assistance to the DoW in planning the framework to transition to Office 365 and upgrade campus WiFi to better support modern classroom environments.
- Completion of the Quality Initiative Project (QIP) and development of the Air Force Institute of Technology (AFIT) assurance narrative for the 2020 HLC visit.
- Recommendation of the endorsement of new vision and mission statements that align with the 2018 National Defense Strategy.
- Creation and approval a new role: The Associate Chancellor for Research and Partnerships to centralize and manage strategic AFIT institutional collaborations.
- Restructuring logistics training from a task-based model to a competency-based model to improve officer education.
- Support for the response to the COVID–19 pandemic, the integration of Space Force Education, and incorporation of Great Power Competition into curriculum.
- Ensuring AU's financial stability and monitoring progress on AU's Student Information System.
- Support for AFIT's reaffirmation with the HLC.
- Redefining the CCAF mission statement and creating the Associate of Applied Science in Military Technology and Applied Science Management degree.
- Creation of the AU BOV Self-Evaluations for continuous improvement.
- Approval of new AFIT vision/mission statements and recognized the addition of “deterrence.”
- Approval of AU's updated AUI 36–2602 and the Educational Program Enhancement Process.
- Approval of key requirements for HLC reaffirmation, including AFIT's Assurance Agreement and hosted the HLC Team Visit.
- Support of the AU transition to Office 365 and upgrade of Wi-Fi for enhanced classroom experience; and the expenditure of \$30,000 on facility modifications.
- Formalization of agreement with AFWERX that allowed AFIT faculty 10-week TDYs at AFWERX hubs.
- Recommendation of a new direction for AFIT's vision and mission statements.
- The increase in the use of non-tenured faculty across AU programs, based on earlier formal recommendations.
- The improvement of the faculty promotion and tenure processes.
- The establishment and execution of a plan that provided TDY support for faculty to assist high-priority AF programs, specifically AFWERX.
- Support for the newly established Nuclear Expertise for Advancing Technologies Center, a model shop that provided students with interdisciplinary experiential learning.
- Support for the AFIT faculty participation in developing the Air Force Science and Technology 2030 Strategy.
- Fulfilled, on behalf of the DoW, the requirements for HLC accreditation. AU's BOV Chair and Vice Chair joined AFIT's Subcommittee and fulfilled the requirement for HLC accreditation standards.
- The execution of “stackable credentials” within the Community College of the Air Force (CCAF) to assist Airmen transitioning to civilian life.
- Assistance with CCAF credentialing initiatives that ensured that they were relevant in civilian communities.
- Creation and proposal of the “Multi-capable Enlisted Leader/Technical Expert” career field diagram that illustrated earning potential and education levels.
- Proposal of innovative steps that addressed major obstacles (specifically public speaking and math) that

hindered students from completing CCAF associate's degrees.

- Support of the proposed Outcomes Reporting System designed to measure and address demands for institutional effectiveness reporting.
- Support of the approval of the new handbook created to guide the Commander's Mission Analysis and Review process and developed an institutional effectiveness outcomes report form.
- Review and identification of top-quality Intermediate Developmental Education (IDE) and Senior Developmental Education candidates to have the opportunity to attend Air University.
- Support for AU's wargaming strategy which enabled LeMay Center's Wargaming Center to become the leader in Wargaming compared to other military services.
- Development of innovative approaches to use virtual reality in the Muir S. Fairchild Library and AU Teaching and Learning Center.
- Support of AU's academic programs and taking critical steps toward institutional accreditation to develop AU's Fifth-Year Interim Report.
- Achievement of excellent product development through AU and the CCAF team, specifically regarding the new Competency Credit Awarding Process plan.
- Initiation and guidance of leadership in the process that attained acceptance of the AF Teaching certification offered by CCAF and accepted by numerous states for K–12 licensure.
- Modification of the Quality Enhancement Plan (QEP) that addressed Air Force competencies in ethical decision-making, empathy, and fostering innovation.
- Recommendation of a shift to combined command team courses verses maintaining separate commander and command chief courses. Recommendation was implemented and has been a success.
- Notable contributions to the Re-Imagining Air Force Accessions initiative through the Holm Center.
- Transformation of the Officer Training School (OTS) program to use the forward-thinking Operation Victory (OTS-Victory) framework.
- Support of improved utilization of newly commissioned 2d Lieutenants awaiting Undergraduate Pilot Training and AU Fellows which augmented faculty.
- Development and migration of AU's enterprise data systems and Student Information System.

- Development of a comprehensive strategic action plan focusing on developing warfighters, enhancing force development delivery, elevating the AU experience, and modernizing the learning environment.

- Recommendation of strategic decisions regarding the reorganization of Air University.

- Providing financial management support to optimize funding to support both funded and unfunded mission requirements.

- Support of the consolidated CCAF registrar functions, collapsed degree programs, and tracked faculty qualifications.

- Providing expert advice and feedback for the Fifth-Year Interim Report and QEP

- Support of the International Officer School (IOS) mission and support of diplomacy and partnership building with U.S. allies.

- Support for the development of the Agile Learning Concept through the Air Command and Staff College and GCPME.

- Establishment of the AU International Alumni of Distinction program.

- Adoption of the new mission and vision statements focused on both deterrence and warfighting.

- The launch of the Registrar's technological innovation "Transcript Automation" to handle both inbound Department of Air Force Bot Operations Team and outbound (Parchment) transcripts across Air University.

- The launch of the Registrar's "AURORA," a generative AI chatbot in ServiceNow that provided self-service guidance to students, the first in AU history.

- Procedural advice that had a positive impact on the graduation cycle resulting in an on-time fall graduation at AFIT-EN for 84 master's students and 15 Ph.D.'s.

- Delivery of the enhanced Agile Learning educational experience, achieving a 92% student satisfaction rate.

- Conducting of invaluable consultation work that identified and introduced successful use cases through the Digital Innovation & Integration Center of Excellence.

- Support of an increased research funding sponsorship across AFIT and AFIT faculty.

- Support of the DoW decision which assisted students who were waiting for undergraduate pilot training and offered a T6 Simulator as the alternative which provided a cost-effective head-start.

- Technological expertise and directive supported research awards.

AU won the Harold Brown Award (awarded to Dr. Nykl) and successfully developed vision-based relative navigation algorithm research for autonomous vehicle air refueling.

- Support of the establishment of a new course for nuclear leaders that highlighted differences between nuclear and conventional operations which included nuclear warfighting capstone events.

- Support for the approval of the integrated real-world Great Power Competition (GPC) events and their impacts into the education of nuclear studies.

- Support of the implementation of the strategic civilian enterprise development program.

- Recommendation of continued improvements to the Student Life-cycle Management (SLcM) system, revised accordingly.

- Recommendation of initiatives to reoptimize the institution for GPC.

- Provision of artificial intelligence (AI) support (blue, red, and green teams) and selection of players to the Air Force Wargaming Institute.

AU BoV 2025 Accomplishments: Following the Secretary of Defense's 2025 advisory committee stand-down directive, the AU BoV did not convene in Spring 2025. DoW is actively reconstituting the AU BoV in FY26, establishing updated bylaws and a revised charter that align with current Administration priorities.

7. Explanation of why the committee/subcommittee is essential to the conduct of agency business: The AU BoV directly advances the Administration's core national security priorities by providing independent advice and recommendations ensuring AU's curricula, doctrine, and research align with deterring adversaries through strength—not weakness—by producing lethal, operationally ready airpower warriors trained for large-scale combat operations against peer adversaries. The AU BoV advice and recommendations allow DoW to enforce a merit-based framework of academic rigor and joint/civilian accreditation that sustains the Warrior Ethos and demands excellence at every level of professional military education. Through its focus on lethality-based education, the AU BoV advice and recommendations to the DoW ensure AU graduates are prepared to defend the homeland and project decisive force across all domains. Additionally, the AU BoV advice and recommendations assist the DoW to fulfill the governing board requirement under SACSCOC and HLC, maintaining the civilian accreditation that underpins recruiting, retention, and the credibility

of every degree and certificate AU confers.

The AU BoV advances the Department's core business of building lethal, merit-based joint airpower warriors across the full spectrum of the force through career-long Professional Military Education. The AU BoV advice and recommendations assist the DoW in ensuring that AU trains Airmen and Guardians to seamlessly leverage multi-domain power in large-scale combat operations. The AU BoV supports AU's role as a premier research institution, ensuring operationally relevant research reaches sponsors across the joint force in direct support of the 2026 National Defense Strategy and Joint Warfighting Concepts.

Dated: May 12, 2026.

Stephanie J. Bost,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

[FR Doc. 2026-09721 Filed 5-14-26; 8:45 am]

BILLING CODE 6001-FR-P

DEPARTMENT OF ENERGY

Notice of Request for Information (RFI) on the Industrial Technology Capital Connector

AGENCY: Office of Critical Minerals and Energy Innovation, Department of Energy.

ACTION: Request for information.

SUMMARY: The U.S. Department of Energy (DOE) invites public comment on its Request for Information (RFI) number DE-FOA-0003573 regarding the Industrial Technology Capital Connector (ITCC), a partnering program to connect private sector capital interested in early-stage industrial technologies with ITO-supported technology developers.

DATES: Responses to the RFI must be received by July 10th, 2026.

ADDRESSES: Interested parties are to submit comments electronically to ITCC@ee.doe.gov. Include Industrial Technology Capital Connector in the subject line of the email. The complete RFI document is located at <https://eere-exchange.energy.gov/>.

FOR FURTHER INFORMATION CONTACT: Questions may be addressed to Paul Gauche at 202-816-1170, paul.gauche@ee.doe.gov, or ITCC@ee.doe.gov. Further instruction can be found in the RFI document posted on EERE Exchange.

SUPPLEMENTARY INFORMATION: This RFI intends to solicit feedback from capital providers (Venture Capital, Angel Investors, Financial Institutions, etc.), adjacent organizations (Incubators,

Accelerators, Venture Studios, etc.), and other stakeholders. The RFI will invite stakeholders to comment on investment strategies and technologies of interest, ITO funding and technical assistance programs and processes, and interest and design of the ITCC. See 42 U.S.C. 16191. The RFI is available at: <https://eere-exchange.energy.gov/Default.aspx?Foald3dd45379-4baa-482f-a600-b10046d8a23f>.

Confidential Business Information: Pursuant to 10 CFR 1004.11, any person submitting information that he or she believes to be confidential and exempt by law from public disclosure should submit via email, postal mail, or hand delivery two well-marked copies: one copy of the document marked “confidential” including all the information believed to be confidential, and one copy of the document marked “non-confidential” with the information believed to be confidential deleted. Submit these documents via email or on a CD, if feasible. DOE will make its own determination about the confidential status of the information and treat it according to its determination.

Signing Authority: This document of the Department of Energy was signed on April 27, 2026, by Audrey Robertson, Assistant Secretary, Office of Critical Minerals and Energy Innovation pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC, on May 13, 2026.

Treena V. Garrett,

Federal Register Liaison Officer, U.S. Department of Energy.

[FR Doc. 2026–09787 Filed 5–14–26; 8:45 am]

BILLING CODE 6450–01–P

DEPARTMENT OF ENERGY

Environmental Management Site-Specific Advisory Board, Portsmouth

AGENCY: Office of Environmental Management, Department of Energy.

ACTION: Notice of open meeting.

SUMMARY: This notice announces an in-person meeting of the Environmental

Management Site-Specific Advisory Board (EM SSAB), Portsmouth. The Federal Advisory Committee Act requires that public notice of this meeting be announced in the **Federal Register**.

DATES: Tuesday, June 23, 2026; 6–8 p.m. EDT.

ADDRESSES: The Ohio State University, Endeavor Center, 1862 Shyville Road, Room 165, Piketon, Ohio 45661.

FOR FURTHER INFORMATION CONTACT: Greg Simonton, Deputy Designated Federal Officer, Phone: (740) 897–3737 or Email: greg.simonton@pppo.gov.

SUPPLEMENTARY INFORMATION:

Purpose of the Board: At the request of the Assistant Secretary or Field Managers, the Board may provide community-based advice and recommendations concerning any EM program activities, such as clean-up activities and environmental restoration; waste management and disposition; excess facilities; future land use and long-term stewardship; communications; and budget priorities. The Board also provides an avenue to fulfill public participation requirements outlined in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Resource Conservation and Recovery Act (RCRA), Federal Facility Agreements, Consent Orders, Consent Decrees and Settlement Agreements.

Tentative Agenda: (agenda topics are subject to change; please contact Greg Simonton for the most current agenda)

- Presentation to the Board
- Administrative Activities
- Public Comments

Public Participation: The meeting is open to the public and public comment can be given orally or in writing. Fifteen minutes are allocated during the meeting for public comment and those wishing to make oral comment will be given a minimum of two minutes to speak. Written comments received at least two working days prior to the meeting will be provided to the members and included in the meeting minutes. Written comments received within two working days after the meeting will be included in the minutes. For additional information on public comment and to submit written comment, please contact Greg Simonton. The EM SSAB, Portsmouth, welcomes the attendance of the public at its meetings and will make every effort to accommodate persons with physical disabilities or special needs. If you require special accommodations due to a disability, please contact Greg

Simonton at least seven days in advance of the meeting.

Meeting conduct: The Designated Federal Officer is empowered to conduct the meeting in a fashion that will facilitate the orderly conduct of business. Questioning of board members or presenters by the public is not permitted.

Minutes: Minutes will be available at the following website: <https://www.energy.gov/pppo/ports-ssab/listings/meeting-materials>.

Signing Authority: This document of the Department of Energy was signed on May 13, 2026, by David Borak, Committee Management Officer, pursuant to delegated authority from the Secretary of Energy. That document with the original signature and date is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

Signed in Washington, DC, on May 13, 2026.

Jennifer Hartzell,

Alternate Federal Register Liaison Officer, U.S. Department of Energy.

[FR Doc. 2026–09810 Filed 5–14–26; 8:45 am]

BILLING CODE 6450–01–P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Project No. 1403–068]

Yuba County Water Agency; Notice of Availability of Environmental Assessment

In accordance with the National Environmental Policy Act of 1969 and the Federal Energy Regulatory Commission’s (Commission) regulations, 18 CFR part 380, the Office of Energy Projects has reviewed the application for a new license to continue to operate and maintain the Narrows Hydroelectric Project No. 1403. The existing 12-megawatt (MW) project is located on the mainstem of the Yuba River in northern California in Nevada County approximately 23 miles northeast of the City of Marysville. The project affects 0.55 acres of Federal land managed by the U.S. Army Corps of Engineers. Commission staff has

prepared an Environmental Assessment (EA) for the project.

The EA contains staff’s analysis of the potential environmental impacts of the project and concludes that licensing the project, with appropriate environmental protective measures, would not constitute a major federal action that would significantly affect the quality of the human environment.

The Commission provides all interested persons with an opportunity to view and/or print the EA via the internet through the Commission’s Home Page (<http://www.ferc.gov/>), using the “eLibrary” link. Enter the docket number, excluding the last three digits in the docket number field (*i.e.*, P–1403), to access the document. For assistance, contact FERC Online Support at FERCOnlineSupport@ferc.gov, or at (866) 208–3676 (toll-free), or (202) 502–8659 (TTY).

You may also register online at <https://ferconline.ferc.gov/> [FERCOnline.aspx](https://ferconline.ferc.gov/ferconline.aspx) to be notified via email of new filings and issuances related to this or other pending projects. For assistance, contact FERC Online Support.

Any comments should be filed with the Commission by 5:00 p.m. Eastern Time on Thursday June 11, 2026.

The Commission strongly encourages electronic filing. Please file comments using the Commission’s eFiling system at <https://ferconline.ferc.gov/ferconline.aspx>. Commenters can submit brief comments up to 6,000 characters, without prior registration, using the eComment system at <https://ferconline.ferc.gov/QuickComment.aspx>. For assistance, please contact FERC Online Support. In lieu of electronic filing, you may submit a paper copy. Submissions sent via the U.S. Postal Service must be addressed to: Debbie-Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 888 First Street NE, Room 1A, Washington, DC 20426. Submissions sent via any other carrier must be addressed to: Debbie-Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 12225 Wilkins Avenue, Rockville, Maryland 20852. The first page of any filing should include docket number P–1403–068.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502–6595 or OPP@ferc.gov.

For further information, contact Rebecca Kipp at (202) 502–8846 or at Rebecca.kipp@ferc.gov.

(Authority: 18 CFR 2.1.)

Dated: May 12, 2026.

Debbie-Anne A. Reese,
Secretary.

[FR Doc. 2026–09813 Filed 5–14–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

**Federal Energy Regulatory
Commission**

[Project No. 8315–017]

**Eagle Creek Sartell Hydro, LLC; Notice
of Intent To Prepare an Environmental
Assessment**

On February 28, 2023, Eagle Creek Sartell Hydro, LLC filed a relicense application for the 8.925-megawatt Sartell Hydroelectric Project No. 8315 (project). The project is located on the Mississippi River in Stearns and Benton Counties, Minnesota.

In accordance with the Commission’s regulations, on February 12, 2026, Commission staff issued a notice that the project was ready for environmental analysis (REA notice). Based on the information in the record, including comments filed on the REA Notice, staff does not anticipate that licensing the project would constitute a major federal action significantly affecting the quality of the human environment. Therefore, staff intends to prepare an environmental assessment (EA) on the application to relicense the project.¹

The EA will be issued and circulated for review by all interested parties. All comments filed on the EA will be analyzed by staff and considered in the Commission’s final licensing decision.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202)502–6595 or OPP@ferc.gov.

The application will be processed according to the following schedule. The EA will be issued for a 30-day comment period. Revisions to the schedule may be made as appropriate.

Milestone	Target date
Commission issues EA.	February 26, 2027.

Any questions regarding this notice may be directed to Michael Davis Michael.davis@ferc.gov, or 202–502–8339.

¹ For tracking purposes under the National Environmental Policy Act, the unique identification number for documents relating to this environmental review is EAXX–019–20–000–1776257468.

(Authority: 18 CFR 2.1)

Dated: May 12, 2026.

Debbie-Anne A. Reese,
Secretary.

[FR Doc. 2026–09812 Filed 5–14–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

**Federal Energy Regulatory
Commission**

Combined Notice of Filings #1

Take notice that the Commission received the following electric rate filings:

Docket Numbers: ER10–2881–047; ER10–2882–046; ER10–2883–044; ER10–2884–044; ER10–2886–032; ER13–1101–029; ER13–1541–028; ER14–787–022; ER14–2796–001; ER15–54–013; ER15–55–013; ER15–647–010; ER15–1475–014; ER15–2191–009; ER15–2453–006; ER16–452–012; ER16–705–010; ER16–706–010; ER16–750–010; ER16–1154–011; ER16–1882–006; ER16–2509–015; ER15–2593–013; ER16–2659–008; ER17–252–007; ER17–2400–016; ER17–2401–016; ER17–2403–016; ER17–2508–005; ER19–2005–004; ER20–2700–003; ER21–1988–005; ER21–1989–005; ER21–2287–004; ER14–661–019.

Applicants: SG2 Imperial Valley LLC, Glass Sands Wind Energy, LLC, SP Tranquillity Solar Storage, LLC, SP Garland Solar Storage, LLC, Deuel Harvest Wind Energy LLC, Wildhorse Wind Energy, LLC, RE Gaskell West 1 LLC, SP Pawpaw Solar, LLC, SP Decatur Parkway Solar, LLC, SP Butler Solar, LLC, 2016 ESA Project Company, LLC, Grant Plains Wind, LLC, Desert Stateline LLC, Rutherford Farm, LLC, Boulder Solar Power, LLC, Parrey, LLC, Bethel Wind Farm LLC, RE Garland A LLC, RE Garland LLC, RE Tranquillity LLC, Passadumkeag Windpark, LLC, Grant Wind, LLC, North Star Solar, LLC, Kay Wind, LLC, Blackwell Solar, LLC, Lost Hills Solar, LLC, Beech Ridge Energy II LLC, Macho Springs Solar, LLC, Campo Verde Solar, LLC, Spectrum Nevada Solar, LLC, Southern Turner Cimarron I, LLC, Georgia Power Company, Mississippi Power Company, Southern Power Company, Alabama Power Company.

Description: Notice of Change in Status of Alabama Power Company, et al.

Filed Date: 4/30/26.

Accession Number: 20260430–5666.

Comment Date: 5 pm ET 5/21/26.

Docket Numbers: ER13–2318–008; ER16–2515–003; ER16–2278–005; ER21–1081–001; ER13–2317–008;

ER13-2319-008; ER20-2812-001;
ER17-2577-003; ER20-2881-005;
ER21-110-003; ER26-209-002.

Applicants: Wattmore Lincoln Energy Storage, LLC, Harts Mill TE Holdings LLC, Harts Mill Solar, LLC, York Haven Power Company, LLC, Terminus Hydroelectric, LLC, PE Hydro Generation, LLC, Lake Lynn Generation, LLC, Eagle Creek Racine Hydro, LLC, Cube Yadkin Generation LLC, Black River Hydroelectric, LLC, All Dams Generation, LLC.

Description: Notice of Change in Status of All Dams Generation, LLC, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5664.

Comment Date: 5 pm ET 5/21/26.

Docket Numbers: ER17-194-007; ER17-380-005; ER14-2500-027; ER14-2498-020.

Applicants: Hartree-Meadowlands Newark, LLC, Newark Energy Center, LLC, NE Renewable Power LLC, Hartree Partners, LP.

Description: Notice of Change in Status of Hartree Partners, LP, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5667.

Comment Date: 5 pm ET 5/21/26.

Docket Numbers: ER25-1720-006; ER10-2783-026; ER18-552-013; ER10-2798-026; ER10-2799-026; ER22-1449-010; ER22-1450-010; ER22-1662-009; ER21-2423-015; ER21-2424-015; ER10-2924-019; ER10-2264-015; ER10-2878-027; ER10-2879-026; ER10-2969-026; ER22-1402-013; ER22-1404-013; ER22-2713-011.

Applicants: Parkway Generation Seward Urban Renewal Entity LLC, Parkway Generation Operating LLC, Parkway Generation Keys Energy Center LLC, Oswego Harbor Power LLC, Montville Power LLC, Middleton Power LLC, Long Beach Generation LLC, Kleen Energy Systems, LLC, Generation Bridge M&M Holdings, LLC, Generation Bridge Connecticut Holdings, LLC, GB II New York LLC, GB II New Haven LLC, GB II Connecticut LLC, Devon Power LLC, Connecticut Jet Power LLC, Clean Energy Future-Lordstown, LLC, Arthur Kill Power LLC, Alpha Generation, LLC.

Description: Notice of Change in Status of Alpha Generation, LLC, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5668.

Comment Date: 5 pm ET 5/21/26.

Docket Numbers: ER26-496-004; ER26-576-004.

Applicants: Energy Prepay XI, LLC, Energy Prepay X, LLC.

Description: Notice of Non-Material Change in Status of Energy Prepay X, LLC, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5665.

Comment Date: 5 pm ET 5/21/26.

The filings are accessible in the Commission's eLibrary system (<https://elibrary.ferc.gov/idmws/search/fercgensearch.asp>) by querying the docket number.

Any person desiring to intervene, to protest, or to answer a complaint in any of the above proceedings must file in accordance with Rules 211, 214, or 206 of the Commission's Regulations (18 CFR 385.211, 385.214, or 385.206) on or before 5:00 p.m. Eastern time on the specified comment date. Protests may be considered, but intervention is necessary to become a party to the proceeding.

eFiling is encouraged. More detailed information relating to filing requirements, interventions, protests, service, and qualifying facilities filings can be found at: <http://www.ferc.gov/docs-filing/efiling/filing-req.pdf>. For other information, call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502-6595 or OPP@ferc.gov.

Dated: May 12, 2026.

Carlos D. Clay,

Deputy Secretary.

[FR Doc. 2026-09799 Filed 5-14-26; 8:45 am]

BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

Combined Notice of Filings #2

Take notice that the Commission received the following electric rate filings:

Docket Numbers: ER11-47-020; ER12-1540-018; ER12-1541-018; ER12-1542-018; ER12-1544-018; ER14-594-028; ER20-649-014; ER14-867-014; ER14-868-015; ER19-606-010; ER16-323-016.

Applicants: Ohio Valley Electric Corporation, AEP Generation Resources Inc., AEP Retail Energy Partners, AEP Energy, Inc., AEP Energy Partners, Inc., Ohio Power Company, Wheeling Power Company, Kingsport Power Company, Kentucky Power Company, Indiana Michigan Power Company, Appalachian Power Company.

Description: Notice of Change in Status of Appalachian Power Company, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5674.

Comment Date: 5 p.m. ET 5/21/26.

Docket Numbers: ER12-1470-021; ER10-3026-019; ER16-1833-017.

Applicants: Sempra Gas & Power Marketing, LLC, Termoelectrica U.S., LLC, Energia Sierra Juarez U.S., LLC.

Description: Notice of Non-Material Change in Status of Energia Sierra Juarez U.S., LLC, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5675.

Comment Date: 5 p.m. ET 5/21/26.

Docket Numbers: ER18-1984-011; ER21-2712-007; ER13-2386-015; ER10-2847-013; ER10-2818-020; ER10-2806-020.

Applicants: TransAlta Energy Marketing (U.S.) Inc., TransAlta Energy Marketing Corporation, TransAlta Centralia Generation LLC, Lakeswind Power Partners, LLC, Heartland Generation Ltd., Big Level Wind LLC.

Description: Notice of Non-Material Change in Status of Big Level Wind LLC, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5676.

Comment Date: 5 p.m. ET 5/21/26.

Docket Numbers: ER18-2511-011.
Applicants: NorthWestern Corporation.

Description: Notice of Change in Status of NorthWestern Corporation.

Filed Date: 4/30/26.

Accession Number: 20260430-5671.

Comment Date: 5 p.m. ET 5/21/26.

Docket Numbers: ER21-2532-002; ER21-2533-002; ER25-3436-002; ER25-2776-001; ER17-2342-004; ER17-2343-004; ER22-385-001; ER16-2071-003; ER16-1275-004; ER26-904-001; ER24-3011-002; ER25-2250-001; ER24-2236-001; ER24-2237-001; ER24-2238-002; ER24-2240-002; ER24-2241-001; ER24-2242-002; ER25-2249-001; ER24-2243-002; ER18-348-004; ER24-2239-002.

Applicants: Reworld Hempstead Company, Shoe Creek Solar LLC, Reworld Union (NJ), LLC, Reworld SEMASS Limited Partnership, Reworld REC, LLC, Reworld Plymouth, LLC, Reworld Niagara I, LLC, Reworld Haverhill Associates, LLC, Reworld Fairfax, LLC, Reworld Essex Company, Reworld Delaware Valley, LLC, Reworld Camden County, L.P., Ostrea Solar, LLC, Innovative Solar 46, LLC, Innovative Solar 43, LLC, Innovative Owner 43, LLC, Bullock Solar, LLC, Bladen Solar, LLC, Biscayne Falls SPV, LLC, Bel Air Solar I, LLC, Bay Tree Lessee, LLC, Bay Tree Solar, LLC.

Description: Notice of Change in Status of Bay Tree Solar, LLC, et al.

Filed Date: 4/30/26.

Accession Number: 20260430-5670.

Comment Date: 5 p.m. ET 5/21/26.

The filings are accessible in the Commission's eLibrary system (<https://elibrary.ferc.gov/idmws/search/fercgensearch.asp>) by querying the docket number.

Any person desiring to intervene, to protest, or to answer a complaint in any of the above proceedings must file in accordance with Rules 211, 214, or 206 of the Commission's Regulations (18 CFR 385.211, 385.214, or 385.206) on or before 5:00 p.m. Eastern time on the specified comment date. Protests may be considered, but intervention is necessary to become a party to the proceeding.

eFiling is encouraged. More detailed information relating to filing requirements, interventions, protests, service, and qualifying facilities filings can be found at: <http://www.ferc.gov/docs-filing/efiling/filing-req.pdf>. For other information, call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502-6595 or OPP@ferc.gov.

Dated: May 12, 2026.

Carlos D. Clay,
Deputy Secretary.

[FR Doc. 2026-09796 Filed 5-14-26; 8:45 am]

BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Project No. 15331-001]

Marlow Hydro, LLC; Notice of Application Ready for Environmental Analysis and Soliciting Comments, Recommendations, Terms and Conditions, and Prescriptions

Take notice that the following hydroelectric application has been filed with the Commission and is available for public inspection.

a. *Type of Application:* Original Minor License.

b. *Project No.:* 15331-001.

c. *Date Filed:* July 31, 2024.

d. *Applicant:* Marlow Hydro, LLC (Marlow Hydro).

e. *Name of Project:* Nash Mill Dam Hydroelectric Project.

f. *Location:* On the Ashuelot River, in Cheshire County, New Hampshire.

g. *Filed Pursuant to:* Federal Power Act, 16 U.S.C. 791(a)-825(r).

h. *Applicant Contact:* Anthony B. Rosario, Marlow Hydro, 139 Henniker St, Hillsborough, NH, 03244; telephone

at (603) 494-1854; email at t-iem@tds.net.

i. *FERC Contact:* Joshua Dub, Project Coordinator, Great Lakes Branch, Division of Hydropower Licensing; telephone at (202) 502-8138; email at Joshua.Dub@ferc.gov.

j. *Deadline for filing comments, recommendations, terms and conditions, and prescriptions:* on or before 5:00 p.m. Eastern Time on July 13, 2026; reply comments are due on or before 5:00 p.m. Eastern Time on August 25, 2026.

The Commission strongly encourages electronic filing. Please file comments, recommendations, terms and conditions, and prescriptions using the Commission's eFiling system at <https://ferconline.ferc.gov/FERCONline.aspx>. Commenters can submit brief comments up to 10,000 characters, without prior registration, using the eComment system at <https://ferconline.ferc.gov/QuickComment.aspx>. For assistance, please contact FERC Online Support at FERCONlineSupport@ferc.gov, (866) 208-3676 (toll free), or (202) 502-8659 (TTY). In lieu of electronic filing, please send a paper copy via the U.S. Postal Service to: Debbie-Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 888 First Street NE, Room 1A, Washington, DC 20426. Submissions sent via any other carrier must be addressed to: Debbie Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 12225 Wilkins Avenue, Rockville, Maryland 20852. The first page of any filing should include docket number P-15331-001.

The Commission's Rules of Practice and Procedure require all intervenors filing documents with the Commission to serve a copy of that document on each person on the official service list for the project. Further, if an intervenor files comments or documents with the Commission relating to the merits of an issue that may affect the responsibilities of a particular resource agency, they must also serve a copy of the document on that resource agency.

k. This application has been accepted for filing and is now ready for environmental analysis.

l. *Project Description:* Marlow Hydro currently owns and holds a license to operate and maintain the Nash Mill Dam Hydroelectric Project as FERC Project No. 3309. Although Marlow Hydro started a relicense proceeding for Project No. 3309, it subsequently withdrew the application and the relicense proceeding was closed. Marlow Hydro then filed an original license application for the existing project under FERC Docket Number P-15331.

The existing project consists of a dam that includes a 57-foot-long spillway with 3-foot-high flashboards with a crest elevation of 1,133.41 feet National Geodetic Vertical Datum of 1929 (NGVD 29), a 3-foot-long sluice gate, and an intake structure that includes a 3-foot-long sluice gate and a trashrack with 1-inch clear bar spacing. The dam creates an impoundment that has a surface area of approximately 2 acres at the crest of the flashboards. From the impoundment, water flows through the intake structure to a 1,525-foot-long penstock and then a powerhouse that contains a 75-kilowatt (kW) vertical fixed propeller turbine-generator unit, a 100-kW horizontal cross-flow turbine-generator unit, and a 50-kW vertical fixed propeller turbine-generator unit. Water from the powerhouse discharges to a tailrace that empties into the Ashuelot River.

Electricity generated at the powerhouse is transmitted to the electric grid via an approximately 1,830-foot-long transmission line and three 75 kilovolt-amp pole mounted transformers.

Marlow Hydro proposes to continue operating the project in a run-of-river mode and maintaining the impoundment elevation at 1,133.41 feet NGVD 29. Marlow Hydro also proposes to continue releasing a minimum flow of 14.5 cubic feet per second through a 40-inch-long, 15-inch high notch in the flashboards to the bypassed reach, and avoid tree cutting from April 1 through October 31, to protect the federally endangered northern long-eared bat.

m. A copy of the application may be viewed on the Commission's website at <http://www.ferc.gov> using the "eLibrary" link. Enter the docket number excluding the last three digits in the docket number field to access the document (P-15331). For assistance, contact FERC Online Support. A copy is also available for inspection and reproduction at the address in item h above.

All filings must (1) bear in all capital letters the title "COMMENTS," "REPLY COMMENTS," "RECOMMENDATIONS," "TERMS AND CONDITIONS," or "PRESCRIPTIONS;" (2) set forth in the heading the name of the applicant and the project number of the application to which the filing responds; (3) furnish the name of the person submitting the filing; and (4) otherwise comply with the requirements of 18 CFR 385.2001 through 385.2005. All comments, recommendations, terms and conditions or prescriptions must set forth their evidentiary basis and otherwise comply with the requirements of 18 CFR 4.34(b).

Agencies may obtain copies of the application directly from the applicant. Each filing must be accompanied by proof of service on all persons listed on the service list prepared by the Commission in this proceeding, in accordance with 18 CFR 4.34(b) and 385.2010.

You may also register online at <https://ferconline.ferc.gov/FERCONline.aspx> to be notified via email of new filings and issuances related to this or other pending projects. For assistance, contact FERC Online Support.

n. For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502-6595 or OPP@ferc.gov.

o. Public notice of the filing of the initial development application, which has already been given, established the due date for filing competing applications or notices of intent. Under the Commission's regulations, any competing development application must be filed in response to and in compliance with public notice of the initial development application. No competing applications or notices of intent may be filed in response to this notice.

p. A license applicant must file on or before 5:00 p.m. Eastern Time on July 13, 2026: (1) a copy of the water quality certification; (2) a copy of the request for certification, including proof of the date on which the certifying agency received the request; or (3) evidence of waiver of water quality certification.

(Authority: 18 CFR 2.1)

Dated: May 12, 2026.

Debbie-Anne A. Reese,
Secretary.

[FR Doc. 2026-09816 Filed 5-14-26; 8:45 am]

BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

[Docket No. CP26-148-000]

Texas Gas Transmission, LP; Notice of Scoping Period Requesting Comments on Environmental Issues for the Proposed Longwall Mining Panel M2 and M3 Project

The staff of the Federal Energy Regulatory Commission (FERC or Commission) will prepare an environmental document that will discuss the environmental impacts of the Longwall Mining Panel M2 and M3

Project involving excavation, elevation, replacement, rerouting, and operation of facilities by Texas Eastern Transmission, LP (Texas Eastern) in Greene County, Pennsylvania. The Commission will use this environmental document in its decision-making process to determine whether the project is in the public convenience and necessity.

This notice announces the opening of the scoping process the Commission will use to gather input from the public and interested agencies regarding the project. As part of the National Environmental Policy Act (NEPA) review process, the Commission takes into account concerns the public may have about proposals and the environmental impacts that could result from its action whenever it considers the issuance of a Certificate of Public Convenience and Necessity. This gathering of public input is referred to as "scoping." The main goal of the scoping process is to focus the analysis in the environmental document on the important environmental issues. Additional information about the Commission's NEPA process is described below in the *NEPA Process and Environmental Document* section of this notice.

By this notice, the Commission requests public comments on the scope of issues to address in the environmental document. To ensure that your comments are timely and properly recorded, please submit your comments so that the Commission receives them in Washington, DC on or before 5:00 p.m. Eastern Time on June 11, 2026. Comments may be submitted in written form. Further details on how to submit comments are provided in the *Public Participation* section of this notice.

Your comments should focus on the potential environmental effects, reasonable alternatives, and measures to avoid or lessen environmental impacts. Your input will help the Commission staff determine what issues they need to evaluate in the environmental document. Commission staff will consider all written comments during the preparation of the environmental document.

If you submitted comments on this project to the Commission before the opening of this docket on March 23, 2026, you will need to file those comments in Docket No. CP26-148-000 to ensure they are considered as part of this proceeding.

This notice is being sent to the Commission's current environmental mailing list for this project. State and local government representatives should

notify their constituents of this proposed project and encourage them to comment on their areas of concern.

If you are a landowner receiving this notice, a pipeline company representative may contact you about the acquisition of an easement to construct, operate, and maintain the proposed facilities. The company would seek to negotiate a mutually acceptable easement agreement. You are not required to enter into an agreement. However, if the Commission approves the project, the Natural Gas Act conveys the right of eminent domain to the company. Therefore, if you and the company do not reach an easement agreement, the pipeline company could initiate condemnation proceedings in court. In such instances, compensation would be determined by a judge in accordance with state law. The Commission does not subsequently grant, exercise, or oversee the exercise of that eminent domain authority. The courts have exclusive authority to handle eminent domain cases; the Commission has no jurisdiction over these matters.

Texas Eastern provided landowners with a fact sheet prepared by the FERC entitled "An Interstate Natural Gas Facility On My Land? What Do I Need To Know?" which addresses typically asked questions, including the use of eminent domain and how to participate in the Commission's proceedings. This fact sheet along with other landowner topics of interest are available for viewing on the FERC website (www.ferc.gov) under the Natural Gas, Landowner Topics link.

Public Participation

There are three methods you can use to submit your comments to the Commission. Please carefully follow these instructions so that your comments are properly recorded. The Commission encourages electronic filing of comments and has staff available to assist you at (866) 208-3676 or FercOnlineSupport@ferc.gov.

(1) You can file your comments electronically using the eComment feature, which is located on the Commission's website (www.ferc.gov) under the link to FERC Online. Using eComment is an easy method for submitting brief, text-only comments on a project;

(2) You can file your comments electronically by using the eFiling feature, which is located on the Commission's website (www.ferc.gov) under the link to FERC Online. With eFiling, you can provide comments in a variety of formats by attaching them as a file with your submission. New

eFiling users must first create an account by clicking on “eRegister.” You will be asked to select the type of filing you are making; a comment on a particular project is considered a “Comment on a Filing”; or

(3) You can file a paper copy of your comments by mailing them to the Commission. Be sure to reference the project docket number (CP26–148–000) on your letter. Submissions sent via the U.S. Postal Service must be addressed to: Debbie-Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 888 First Street NE, Room 1A, Washington, DC 20426. Submissions sent via any other carrier must be addressed to: Debbie-Anne A. Reese, Secretary, Federal Energy Regulatory Commission, 12225 Wilkins Avenue, Rockville, MD 20852.

Additionally, the Commission offers a free service called eSubscription which makes it easy to stay informed of all issuances and submittals regarding the dockets/projects to which you subscribe. These instant email notifications are the fastest way to receive notification and provide a link to the document files which can reduce the amount of time you spend researching proceedings. Go to <https://www.ferc.gov/ferc-online/overview> to register for eSubscription.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202)502–6595 or OPP@ferc.gov.

Summary of the Proposed Project

According to Texas Eastern, the Project would allow for the safe and efficient operation of its natural gas transportation system in Greene County, Pennsylvania during sub-surface longwall mining activities. Texas Eastern proposes to excavate, elevate, replace, and reroute segments of four existing pipelines ranging in length between approximately 5,000 feet and 6,100 feet near Graysville, Pennsylvania. Texas Eastern would also abandon by removal an approximately 5,000-foot segment of non-operational pipeline. Lastly, Texas Eastern proposes to modify existing minor aboveground facilities elsewhere in Greene County. Upon completion of the mining activities, Texas Eastern would return three of the four pipelines to their original locations and easements. The fourth pipeline would be rerouted into the abandoned easement. Texas Eastern anticipates these activities would occur between 2027 and 2029.

The general location of the project facilities is shown in appendix 1.¹

Land Requirements for Construction

Texas Eastern would require the temporary use of approximately 127.87 acres of land to complete the proposed activities. Following construction, Texas Eastern would permanently maintain 20.98 acres of land to operate the Project. No new easement would be required for the Project.

NEPA Process and the Environmental Document

Any environmental document issued by the Commission will discuss impacts that could occur as a result of the construction and operation of the proposed project under the relevant general resource areas:

- geology and soils;
- water resources and wetlands;
- vegetation and wildlife;
- threatened and endangered species;
- cultural resources;
- land use and visual resources;
- air quality and noise; and
- reliability and safety.

Commission staff have already identified several issues that deserve attention based on a preliminary review of the proposed facilities and the environmental information provided by Texas Eastern. This preliminary list of issues may change based on your comments and our analysis:

- steep slopes;
- erosion and sediment controls;
- threatened and endangered species;
- public safety; and
- public access and road closures.

Commission staff will also evaluate reasonable alternatives to the proposed project or portions of the project and make recommendations on how to lessen or avoid impacts on the various resource areas. Your comments will help Commission staff identify and focus on the issues that might have an effect on the human environment and potentially eliminate others from further study and discussion in the environmental document.

Following this scoping period, Commission staff will determine whether to prepare an Environmental Assessment (EA) or an Environmental Impact Statement (EIS). The EA or the EIS will present Commission staff's independent analysis of the issues. If

Commission staff prepares an EA, a *Notice of Schedule for the Preparation of an Environmental Assessment* will be issued. The EA may be issued for an allotted public comment period. The Commission would consider timely comments on the EA before making its decision regarding the proposed project. If Commission staff prepares an EIS, a *Notice of Intent to Prepare an EIS/ Notice of Schedule* will be issued, which will open up an additional comment period. Staff will then prepare a draft EIS which will be issued for public comment. Commission staff will consider all timely comments received during the comment period on the draft EIS and revise the document, as necessary, before issuing a final EIS. Any EA or draft and final EIS will be available in electronic format in the public record through eLibrary² and the Commission's natural gas environmental documents web page (<https://www.ferc.gov/industries-data/natural-gas/environmental-documents>). If eSubscribed, you will receive instant email notification when the environmental document is issued.

With this notice, the Commission is asking agencies with jurisdiction by law and/or special expertise with respect to the environmental issues of this project to formally cooperate in the preparation of the environmental document.³ Agencies that would like to request cooperating agency status should follow the instructions for filing comments provided under the *Public Participation* section of this notice.

Consultation Under Section 106 of the National Historic Preservation Act

In accordance with the Advisory Council on Historic Preservation's implementing regulations for section 106 of the National Historic Preservation Act, the Commission is using this notice to initiate consultation with the applicable State Historic Preservation Office(s), and to solicit their views and those of other government agencies, interested Indian tribes, and the public on the project's potential effects on historic properties.⁴ The environmental document for this project will document findings on the

² For instructions on connecting to eLibrary, refer to the last page of this notice.

³ Cooperating agency responsibilities are addressed in Section 107(a)(3) of NEPA (42 U.S.C. 4336(a)(3)).

⁴ The Advisory Council on Historic Preservation's regulations are at Title 36, Code of Federal Regulations, Part 800. Those regulations define historic properties as any prehistoric or historic district, site, building, structure, or object included in or eligible for inclusion in the National Register of Historic Places.

¹ The appendices referenced in this notice will not appear in the **Federal Register**. Copies of the appendices were sent to all those receiving this notice in the mail and are available at www.ferc.gov using the link called “eLibrary.” For instructions on connecting to eLibrary, refer to the last page of this notice. For assistance, contact FERC at FERCOnlineSupport@ferc.gov or call toll free, (886) 208–3676 or TTY (202) 502–8659.

impacts on historic properties and summarize the status of consultations under section 106.

Environmental Mailing List

The environmental mailing list includes federal, state, and local government representatives and agencies; elected officials; Native American Tribes; environmental and public interest groups; other interested parties; and local libraries and media outlets. This list also includes all affected landowners (as defined in the Commission's regulations) who are potential right-of-way grantors, whose property may be used temporarily for project purposes, or who own homes within certain distances of aboveground facilities, and anyone who submits comments on the project and includes a mailing address with their comments. Commission staff will update the environmental mailing list as the analysis proceeds to ensure that Commission notices related to this environmental review are sent to all individuals, organizations, and government entities interested in and/or potentially affected by the proposed project.

If you need to make changes to your name/address, or if you would like to remove your name from the mailing list, please complete one of the following steps:

(1) Send an email to GasProjectAddressChange@ferc.gov stating your request. You must include the docket number CP26-148-000 in your request. If you are requesting a change to your address, please be sure to include your name and the correct address. If you are requesting to delete your address from the mailing list, please include your name and address as it appeared on this notice. This email address is unable to accept comments. OR

(2) Return the attached "Mailing List Update Form" (appendix 2).

Additional Information

Additional information about the project is available from the FERC website at www.ferc.gov using the eLibrary link. Click on the eLibrary link, click on "General Search" and enter the docket number in the "Docket Number" field. Be sure you have selected an appropriate date range. For assistance, please contact FERC Online Support at FercOnlineSupport@ferc.gov or (866) 208-3676, or for TTY, contact (202) 502-8659. The eLibrary link also provides access to the texts of all formal documents issued by the Commission, such as orders, notices, and rulemakings.

Public sessions or site visits will be posted on the Commission's calendar located at <https://www.ferc.gov/news-events/events> along with other related information.

(Authority: 18 CFR 2.1)

Dated: May 12, 2026.

Debbie-Anne A. Reese,

Secretary.

[FR Doc. 2026-09811 Filed 5-14-26; 8:45 am]

BILLING CODE 6717-01-P

DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

Combined Notice of Filings #3

Take notice that the Commission received the following exempt wholesale generator filings:

Docket Numbers: EG26-238-000.

Applicants: Cub Storage, LLC.

Description: Cub Storage, LLC submits Notice of Self-Certification of Exempt Wholesale Generator Status.

Filed Date: 5/12/26.

Accession Number: 20260512-5116.

Comment Date: 5 p.m. ET 6/2/26.

Take notice that the Commission received the following Complaints and Compliance filings in EL Dockets:

Docket Numbers: EL26-64-000.

Applicants: PowerConneX New Albany, LLC, PowerConnex New Albany 2, LLC.

Description: Petition for Declaratory Order of PowerConneX New Albany, LLC, et al.

Filed Date: 5/8/26.

Accession Number: 20260508-5274.

Comment Date: 5 p.m. ET 6/8/26.

Docket Numbers: EL26-66-000.

Applicants: Maine Office of the Public Advocate, et al. v. Eversource Energy Service Company.

Description: Complaint of the Maine Office of the Public Advocate, et al. v. Eversource Energy Service Company.

Filed Date: 5/12/26.

Accession Number: 20260512-5042.

Comment Date: 5 p.m. ET 6/1/26.

Take notice that the Commission received the following electric rate filings:

Docket Numbers: ER25-2232-004.

Applicants: Illinois Generation LLC.

Description: Tariff Amendment: Request to Defer Action on Second Amended Shared Facilities Agreement to be effective 12/31/9998.

Filed Date: 5/12/26.

Accession Number: 20260512-5147.

Comment Date: 5 p.m. ET 6/2/26.

Docket Numbers: ER25-2234-003

Applicants: Heritage Prairie Solar LLC.

Description: Tariff Amendment: Request to Defer Action on Certificate of Concurrence to be effective 12/31/9998.

Filed Date: 5/12/26.

Accession Number: 20260512-5148.

Comment Date: 5 p.m. ET 6/2/26.

Docket Numbers: ER26-1518-001.

Applicants: Cape Generating Station 3 LLC.

Description: Tariff Amendment: Response to Deficiency Notice to be effective 4/6/2026.

Filed Date: 5/12/26.

Accession Number: 20260512-5110.

Comment Date: 5 p.m. ET 6/2/26.

Docket Numbers: ER26-1519-001.

Applicants: Cape Generating Station 5 LLC.

Description: Tariff Amendment: Response to Deficiency Letter to be effective 2/26/2026.

Filed Date: 5/12/26.

Accession Number: 20260512-5119.

Comment Date: 5 p.m. ET 6/2/26.

Docket Numbers: ER26-2503-000.

Applicants: Arizona Public Service Company.

Description: § 205(d) Rate Filing: Service Agreement No. 445—Surplus LGIA w/Shay Solar to be effective 4/13/2026.

Filed Date: 5/11/26.

Accession Number: 20260511-5113.

Comment Date: 5 p.m. ET 6/1/26.

Docket Numbers: ER26-2504-000.

Applicants: Public Service Company of New Mexico.

Description: § 205(d) Rate Filing: Certificates of Concurrences Associated with TEP Multiparty Agreements to be effective 12/22/2025.

Filed Date: 5/12/26.

Accession Number: 20260512-5000.

Comment Date: 5 p.m. ET 6/2/26.

Docket Numbers: ER26-2505-000.

Applicants: Southwest Power Pool, Inc.

Description: § 205(d) Rate Filing: 4874 Balko Solar Surplus Interconnection GIA to be effective 7/12/2026.

Filed Date: 5/12/26.

Accession Number: 20260512-5035.

Comment Date: 5 p.m. ET 6/2/26.

Docket Numbers: ER26-2506-000.

Applicants: Virginia Electric and Power Company, OSW Project, LLC.

Description: Application for Waiver of Affiliate Restrictions and Cross-Subsidization Rules and Request for Expedited Action of Virginia Electric and Power Company, et al.

Filed Date: 5/7/26.

Accession Number: 20260507-5153.

Comment Date: 5 p.m. ET 5/28/26.

Docket Numbers: ER26-2507-000.

Applicants: Tri-State Generation and Transmission Association, Inc.

Description: § 205(d) Rate Filing: Amendment to Rate Schedule No. 50 to be effective 7/12/2026.

Filed Date: 5/12/26.

Accession Number: 20260512–5158.

Comment Date: 5 p.m. ET 6/2/26.

Take notice that the Commission received the following foreign utility company status filings:

Docket Numbers: FC26–7–000.

Applicants: Berde Rooftop Inc.

Description: Berde Rooftop Inc. submits Notice of Non-Material Change in Facts of Self-Certification of Foreign Utility Company Status.

Filed Date: 5/5/26.

Accession Number: 20260505–5146.

Comment Date: 5 p.m. ET 5/26/26.

The filings are accessible in the Commission's eLibrary system (<https://elibrary.ferc.gov/idmws/search/fercgensearch.asp>) by querying the docket number.

Any person desiring to intervene, to protest, or to answer a complaint in any of the above proceedings must file in accordance with Rules 211, 214, or 206 of the Commission's Regulations (18 CFR 385.211, 385.214, or 385.206) on or before 5:00 p.m. Eastern time on the specified comment date. Protests may be considered, but intervention is necessary to become a party to the proceeding.

eFiling is encouraged. More detailed information relating to filing requirements, interventions, protests, service, and qualifying facilities filings can be found at: <http://www.ferc.gov/docs-filing/efiling/filing-req.pdf>. For other information, call (866) 208–3676 (toll free). For TTY, call (202) 502–8659.

For public inquiries and assistance with making filings such as interventions, comments, or requests for rehearing, contact the Office of Public Participation at (202) 502–6595 or OPP@ferc.gov.

Dated: May 12, 2026.

Carlos D. Clay,

Deputy Secretary.

[FR Doc. 2026–09797 Filed 5–14–26; 8:45 am]

BILLING CODE 6717–01–P

DEPARTMENT OF ENERGY

Southeastern Power Administration

Proposed Rate Adjustment, Jim Woodruff Project

AGENCY: Southeastern Power Administration, Department of Energy (DOE).

ACTION: Notice of proposed rates, public forum, and opportunities for public review and comment.

SUMMARY: Southeastern Power Administration (Southeastern or SEPA) proposes to revise existing schedules of rates and charges applicable to the sale of power from the Jim Woodruff Project, effective October 1, 2026, through September 30, 2031. Opportunities will be available for interested persons to review the present rates, supporting studies, to participate in a public forum and to submit written comments. Southeastern will evaluate all comments received in this process.

DATES: Written comments are due on or before August 13, 2026. A public information forum will be held in-person at Florida Electric Cooperatives Association, 2916 Apalachee Parkway, Tallahassee, FL 32301, at 12:00 p.m. EDT on June 4, 2026. There will also be an option to attend the forum virtually via Microsoft Teams. Persons desiring to speak at the public information forum should notify Southeastern at least seven (7) days before the scheduled forum date so a list of forum participants can be prepared. A public comment forum will be held in-person at Southeastern Power Administration, 1166 Athens Tech Road, Elberton, Georgia at 1 p.m. EDT on July 7, 2026. There will also be an option to attend the public comment forum virtually via Microsoft Teams. Persons desiring to speak at the public information forum or the public comment forum should specify this in their notification to Southeastern; others may speak if time permits. Notifications should be submitted by email to Comments@sepa.doe.gov. If Southeastern has not been notified by close of business on May 28, 2026, for the public information forum and by June 30, 2026, for the public comment forum, that at least one person intends to be present at the forums, either in-person or virtually, the forums may be canceled with no further notice.

ADDRESSES: Written comments should be submitted to: Administrator, Southeastern Power Administration, Department of Energy, 1166 Athens Tech Road, Elberton, Georgia 30635–6711; Email: Comments@sepa.doe.gov. The URL and call in information for the public information forum is as follows: <https://bit.ly/JimWoodruffForum>; +1 (404) 796–9216, Access Code: 866957811#. The URL and call in information for the public comment forum is as follows: <https://bit.ly/JimWoodruffCommentForum>; +1 (404) 796–9216, Access Code: 595254713#. Information regarding the rates, including studies and other supporting materials, is available for public review in the offices of Southeastern Power

Administration, 1166 Athens Tech Road, Elberton, Georgia 30635.

FOR FURTHER INFORMATION CONTACT:

Alexa Webb, Senior Public Utilities Specialist, Finance and Marketing, Southeastern Power Administration, Department of Energy, 1166 Athens Tech Road, Elberton, Georgia 30635–6711, (706) 213–3805; Email: Alexa.Webb@sepa.doe.gov.

SUPPLEMENTARY INFORMATION: The Federal Energy Regulatory Commission (FERC) confirmed and approved on a final basis, Wholesale Power Rate Schedules JW–1–L and JW–2–F applicable to the Jim Woodruff System for a period ending September 30, 2026. (FERC Docket No. EF21–4–000 (Feb. 10, 2022)). On August 6, 2024, Southeastern submitted a notice of cancellation of the JW–2–F Rate Schedule for the sale of power from Southeastern's Jim Woodruff Project to Duke Energy Florida effective October 6, 2024. There are no remaining obligations under the JW–2–F Rate schedule. (FERC Docket No. EF24–8–000 (Sep. 13, 2024)).

Discussion: Existing rate schedules are predicated upon a February 2021 repayment study and other supporting data. An updated repayment study, dated March 2026, indicates current rates are not adequate to recover cost increases identified and therefore do not meet repayment criteria. The revised study demonstrates an annual revenue requirement increase of \$545,128 per year from preference customers will meet repayment criteria. The rate adjustment would represent an increase of about 6.6 percent for capacity and 10.8 percent for energy.

Proposed Unit Rates: In the proposed rate schedule JW–1–M, available to preference customers, the capacity charge would be increased from \$8.46 per kilowatt per month to \$9.02 per kilowatt per month. The energy charge would be increased from 22.32 mills per kilowatt-hour to 24.72 mills per kilowatt-hour. Should Southeastern procure power on behalf of a preference customer, the customer would be subject to the cost of the purchased power in addition to the applicable capacity and energy charges.

Southeastern is proposing the following rate schedule, JW–1–M, to be effective for the period from October 1, 2026, through September 30, 2031.

Legal Authority: By Delegation Order No. S1–DEL–RATES–2016, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Southeastern's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis

to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to FERC. By Delegation Order No. S1–DEL–S3–2024, effective August 30, 2024, the Secretary of Energy also delegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Under Secretary for Infrastructure. By Redelegation Order No. S3–DEL–SEPA–2023, effective April 10, 2023, the Under Secretary for Infrastructure redelegated the authority to confirm, approve, and place such rates into effect on an interim basis to the Southeastern Administrator.

Environmental Compliance: Southeastern has determined this action fits within the following categorical exclusion listed in appendix B of 10 CFR part 1021 and appendix B of DOE's National Environmental Policy Act (NEPA) implementing procedures published on June 30, 2025: B4.3, Electric power marketing rate changes. Categorically excluded projects and activities do not require preparation of either an environmental impact statement or an environmental assessment.¹

Determination Under Executive Order 12866: Southeastern has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Signing Authority

This document of the Department of Energy was signed on May 12, 2026, by Virgil G. Hobbs III, Administrator for Southeastern Power Administration, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the **Federal Register**.

¹ The determination was done in compliance with NEPA (42 U.S.C. 4321–4347) and DOE NEPA Implementing Procedures, including 10 CFR part 1021.

Signed in Washington, DC, on May 13, 2026.

Treena V. Garrett,

Federal Register Liaison Officer, U.S. Department of Energy.

[FR Doc. 2026–09784 Filed 5–14–26; 8:45 am]

BILLING CODE 6450–01–P

ENVIRONMENTAL PROTECTION AGENCY

[FRL OPRM–FAD–222]

Environmental Impact Statements; Notice of Availability

Responsible Agency: Office of Federal Activities, General Information 202–993–3272 or <https://www.epa.gov/nepa>.

Weekly receipt of Environmental Impact Statements (EIS) Filed May 4, 2026 10 a.m. EST Through May 11, 2026 10 a.m. EST Pursuant to CEQ Guidance on 42 U.S.C. 4332.

Notice: Section 309(a) of the Clean Air Act requires that EPA make public its comments on EISs issued by other Federal agencies. EPA's comment letters on EISs are available at: <https://cdxapps.epa.gov/cdx-enepa-II/public/action/eis/search>.

EIS No. 20260056, Final, NRCS, NE, Elm and Turkey Creeks Watershed Plan, Review Period Ends: 06/15/2026, Contact: Melissa Baier 402–437–4065.

EIS No. 20260057, Draft, NRCS, UT, Wellsville Canyon Watershed Project, Comment Period Ends: 06/29/2026, Contact: Ammon Boswell 435–459–1621.

Dated: May 11, 2026.

Nancy Abrams,

Deputy Director, Federal Activities Division.

[FR Doc. 2026–09788 Filed 5–14–26; 8:45 am]

BILLING CODE 6560–50–P

EXPORT-IMPORT BANK

[Public Notice: EIB–2026–006]

Application for Final Commitment for a Long-Term Loan or Financial Guarantee in Excess of \$100 million: AP300072XX & AP300072XA

AGENCY: Export-Import Bank of the United States.

ACTION: Notice.

SUMMARY: This Notice is to inform the public, in accordance with the Export-Import Bank Act of 1945, as amended, the Export-Import Bank of the United States (“EXIM”) has received an application for final commitment for a long-term loan or financial guarantee in

excess of \$100 million. Comments received within the comment period specified below will be presented to the EXIM Board of Directors prior to final action on this Transaction.

DATES: Comments must be received on or before June 9, 2026 to be assured of consideration before final consideration of the transaction by the Board of Directors of EXIM.

ADDRESSES: Comments may be submitted through *Regulations.gov* at www.regulations.gov. To submit a comment, enter *EIB–2026–006* under the heading “Enter Keyword or ID” and select Search. Follow the instructions provided at the Submit a Comment screen. Please include your name, company name (if any) and *EIB–2026–006* on any attached document.

SUPPLEMENTARY INFORMATION:

Reference: AP300072XX & AP300072XA.

Purpose and Use:

Brief description of the purpose of the transaction: To support the export of U.S.-manufactured commercial aircraft to South Korea.

Brief non-proprietary description of the anticipated use of the items being exported: To provide passenger air transport between South Korea and other countries. To the extent that EXIM is reasonably aware, the item(s) being exported may be used to produce exports or provide services in competition with the exportation of goods or provision of services by a United States industry.

Parties:

Principal Supplier: The Boeing Company.

Obligor: Korean Air Lines Co., Ltd.

Guarantor(s): N/A.

Description of Items Being Exported: Boeing commercial jet aircraft

Information on Decision: Information on the final decision for this transaction will be available in the “Board Agenda and Meeting Minutes” on <https://www.exim.gov/news/meeting-minutes>

Confidential Information: Please note that this notice does not include confidential or proprietary business information; information which, if disclosed, would violate the Trade Secrets Act; or information which would jeopardize jobs in the United States by supplying information that competitors could use to compete with companies in the United States.

Authority: Section 3(c)(10) of the Export-Import Bank Act of 1945, as amended (12 U.S.C. 635a(c)(10)).

Andrew Smith,
Records Officer.

[FR Doc. 2026–09815 Filed 5–14–26; 8:45 am]

BILLING CODE 6690–01–P

EXPORT-IMPORT BANK**[Public Notice: EIB-2026-007]****Application for Final Commitment for a Long-Term Loan or Financial Guarantee in Excess of \$100 Million: AP300067XX****AGENCY:** Export-Import Bank of the United States.**ACTION:** Notice.

SUMMARY: This Notice is to inform the public, in accordance with the Export-Import Bank Act of 1945, as amended, the Export-Import Bank of the United States (“EXIM”) has received an application for final commitment for a long-term loan or financial guarantee in excess of \$100 million. Comments received within the comment period specified below will be presented to the EXIM Board of Directors prior to final action on this Transaction.

DATES: Comments must be received on or before June 9, 2026 to be assured of consideration before final consideration of the transaction by the Board of Directors of EXIM.

ADDRESSES: Comments may be submitted through *Regulations.gov* at www.regulations.gov. To submit a comment, enter *EIB-2026-007* under the heading “Enter Keyword or ID” and select Search. Follow the instructions provided at the Submit a Comment screen. Please include your name, company name (if any) and *EIB-2026-007* on any attached document.

SUPPLEMENTARY INFORMATION:*Reference:* AP300067XX.*Purpose and Use:*

Brief description of the purpose of the transaction: To support the export of U.S.-manufactured commercial aircraft to South Korea.

Brief non-proprietary description of the anticipated use of the items being exported: To provide passenger air transport within South Korea and between South Korea and other countries. To the extent that EXIM is reasonably aware, the item(s) being exported are not expected to be used to produce exports or provide services in competition with the exportation of goods or provision of services by a United States industry.

Parties:

Principal Supplier: The Boeing Company.

Obligor: Jeju Air Co., Ltd.*Guarantor(s):* N/A.

Description of Items Being Exported: Boeing commercial jet aircraft.

Information on Decision: Information on the final decision for this transaction will be available in the “Board Agenda

and Meeting Minutes” on <https://www.exim.gov/news/meeting-minutes>.

Confidential Information: Please note that this notice does not include confidential or proprietary business information; information which, if disclosed, would violate the Trade Secrets Act; or information which would jeopardize jobs in the United States by supplying information that competitors could use to compete with companies in the United States.

Authority: Section 3(c)(10) of the Export-Import Bank Act of 1945, as amended (12 U.S.C. 635a(c)(10)).

Andrew Smith,*Records Officer.*

[FR Doc. 2026-09814 Filed 5-14-26; 8:45 am]

BILLING CODE 6690-01-P**FEDERAL COMMUNICATIONS COMMISSION****[OMB 3060-0855; FR ID 346264]****Information Collection Being Submitted for Review and Approval to Office of Management and Budget****AGENCY:** Federal Communications Commission.**ACTION:** Notice; request for comments.

SUMMARY: As part of its continuing effort to reduce paperwork burdens, as required by the Paperwork Reduction Act (PRA) of 1995, the Federal Communications Commission (FCC or the Commission) invites the general public and other Federal Agencies to take this opportunity to comment on the following information collection. Pursuant to the Small Business Paperwork Relief Act of 2002, the FCC seeks specific comment on how it might further reduce the information collection burden for small business concerns with fewer than 25 employees. The Commission may not conduct or sponsor a collection of information unless it displays a currently valid Office of Management and Budget (OMB) control number. No person shall be subject to any penalty for failing to comply with a collection of information subject to the PRA that does not display a valid OMB control number.

DATES: Written comments and recommendations for the proposed information collection should be submitted on or before June 15, 2026.

ADDRESSES: Comments should be sent to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting “Currently under 30-day Review—Open for Public Comments” or by using the search

function. Your comment must be submitted into www.reginfo.gov per the above instructions for it to be considered. In addition to submitting in www.reginfo.gov also send a copy of your comment on the proposed information collection to Nicole Ongele, FCC, via email to PRA@fcc.gov and to Nicole.Ongele@fcc.gov. Include in the comments the OMB control number as shown in the **SUPPLEMENTARY INFORMATION** below.

FOR FURTHER INFORMATION CONTACT: For additional information or copies of the information collection, contact Nicole Ongele at (202) 418-2991. To view a copy of this information collection request (ICR) submitted to OMB: (1) go to the web page <http://www.reginfo.gov/public/do/PRAMain>, (2) look for the section of the web page called “Currently Under Review,” (3) click on the downward-pointing arrow in the “Select Agency” box below the “Currently Under Review” heading, (4) select “Federal Communications Commission” from the list of agencies presented in the “Select Agency” box, (5) click the “Submit” button to the right of the “Select Agency” box, (6) when the list of FCC ICRs currently under review appears, look for the Title of this ICR and then click on the ICR Reference Number. A copy of the FCC submission to OMB will be displayed.

SUPPLEMENTARY INFORMATION: As part of its continuing effort to reduce paperwork burdens, as required by the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3520), the FCC invited the general public and other Federal Agencies to take this opportunity to comment on the following information collection. Comments are requested concerning: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission’s burden estimates; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on the respondents, including the use of automated collection techniques or other forms of information technology. Pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4), the FCC seeks specific comment on how it might further reduce the information collection burden for small business concerns with fewer than 25 employees.

OMB Control Number: 3060-0855.

Title: Telecommunications Reporting Worksheets and Related Collections, FCC Forms 499–A and 499–Q.

Form Number(s): FCC Forms 499–A and 499–Q.

Type of Review: Extension of a currently approved collection.

Respondents: Business or other for profit and not-for-profit institutions.

Number of Respondents and Responses: 8,000 respondents; 40,300 responses.

Estimated Time per Response: 0.25 hours–25 hours.

Frequency of Response: Annually, quarterly, recordkeeping and on occasion reporting requirements.

Obligation To Respond: Mandatory. Statutory authority for this collection of information is contained in 151, 154(i), 154(j), 155, 157, 159, 201, 205, 214, 225, 254, 303(r), 715 and 719 of the Act, 47 U.S.C. 151, 154(i), 154(j), 155, 157, 159, 201, 205, 214, 225, 254, 303(r), 616, and 620.

Total Annual Burden: 250,850 hours.

Total Annual Cost: No cost.

Needs and Uses: This information collection requires contributors to the federal universal service fund,

telecommunications relay service fund, and numbering administration to file, pursuant to sections 151, 225, 251 and 254 of the Act, a Telecommunications Reporting Worksheet on an annual basis (FCC Form 499–A and/or on a quarterly basis (FCC Form 499–Q). The information is also used to calculate FCC regulatory fees for interstate telecommunications service providers. Federal Communications Commission.

Aleta Bowers,

Federal Register Liaison Officer, Office of the Secretary.

[FR Doc. 2026–09820 Filed 5–14–26; 8:45 am]

BILLING CODE 6712–01–P

FEDERAL COMMUNICATIONS COMMISSION

[FR ID 347083]

Sunshine Act Meeting; Open Commission Meeting Wednesday, May 20, 2026

May 13, 2026.

The Federal Communications Commission will hold an Open Meeting

on the subjects listed below on Wednesday, May 20, 2026, which is scheduled to commence at 10:30 a.m. in the Commission Meeting Room of the Federal Communications Commission, 45 L Street, NE, Washington, DC

While attendance at the Open Meeting is available to the public, the FCC headquarters building is not open access and all guests must check in with and be screened by FCC security at the main entrance on L Street. Attendees at the Open Meeting will not be required to have an appointment but must otherwise comply with protocols outlined at: www.fcc.gov/visit. Open Meetings are streamed live at: www.fcc.gov/live and on the FCC's YouTube channel.

Item No	Bureau	Subject
1	Wireline Competition	<i>Title:</i> Call Authentication Trust Anchor (WC Docket No. 17–97); Advanced Methods to Target and Eliminate Unlawful Robocalls (CG Docket No. 17–59) <i>Summary:</i> The Commission will consider a Further Notice of Proposed Rulemaking that would propose to enhance the STIR/SHAKEN framework used by voice providers to combat illegal robocalls by improving know-your-upstream-provider (KYUP) requirements and oversight, raising standards for STIR/SHAKEN attestations, and closing implementation loopholes.
2	Broadband Data Task Force	<i>Title:</i> Establishing the Digital Opportunity Data Collection (WC Docket No. 11–10); Modernizing the FCC Form 477 Data Program (WC Docket No. 19–195); and Delete, Delete, Delete (GN Docket No. 25–133) <i>Summary:</i> The Commission will consider a Report and Order and Further Notice of Proposed Rulemaking that would take several steps to streamline and improve the FCC's Broadband Data Collection (BDC). This item would alleviate unnecessary regulatory burdens on service providers and challenge process participants by streamlining audits and verifications, improving challenge processes, and reducing regulatory burdens that add costs without a corresponding benefit to the quality of provider-reported data, all while ensuring that the data depicted on the National Broadband Map is accurate.
3	Public Safety & Homeland Security	<i>Title:</i> Resilient Networks (PS Docket No. 21–346); Amendments to Part 4 of the Commission's Rules Concerning Disruptions to Communications (PS Docket No. 15–80); and New Part 4 of the Commission's Rules Concerning Disruptions to Communications (ET Docket No. 04–35) <i>Summary:</i> The Commission will consider a Third Report and Order to modernize DIRS by enhancing its capabilities while eliminating unnecessary reporting burdens. These actions will provide better information to emergency managers during disasters and allow communications service providers to focus their resources on service restoration instead of redundant paperwork at times when every second counts.
4	Wireline Competition	<i>Title:</i> Reforming the High-Cost Program for an All-IP Future (WC Docket No. 26–96); and Connect America Fund: A National Broadband Plan for our Future High-Cost Universal Support (WC Docket No. 10–90) <i>Summary:</i> The Commission will consider a Notice of Proposed Rulemaking seeking comment on how a High-Cost Modernization initiative could best ensure that all Americans, particularly those in rural areas, have access to next-generation services in an ever-changing environment.

* * * * *

The meeting will be webcast at: www.fcc.gov/live. Open captioning will

be provided as well as a text only version on the FCC website. Other reasonable accommodations for people

with disabilities are available upon request. In your request, include a description of the accommodation you

will need and a way we can contact you if we need more information. Last minute requests will be accepted but may be impossible to fill. Send an email to: fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202–418–0530.

Press Access—Members of the news media are welcome to attend the meeting and will be provided reserved seating on a first-come, first-served basis. Following the meeting, the Chairman may hold a news conference in which she will take questions from credentialed members of the press in attendance. Also, senior policy and legal staff will be made available to the press in attendance for questions related to the items on the meeting agenda. Commissioners may also choose to hold press conferences. Press may also direct questions to the Office of Media Relations (OMR): MediaRelations@fcc.gov. Questions about credentialing should be directed to OMR.

Additional information concerning this meeting may be obtained from the Office of Media Relations, (202) 418–0500. Audio/Video coverage of the meeting will be broadcast live with open captioning over the internet from the FCC Live web page at www.fcc.gov/live.

Authority: This meeting is held, in accordance with the Government in the Sunshine Act (Sunshine Act), Public Law 94–409, as amended (5 U.S.C. 552b).

Federal Communications Commission.

Aleta Bowers,

Federal Register Liaison Officer, Office of the Secretary.

[FR Doc. 2026–09837 Filed 5–13–26; 4:15 pm]

BILLING CODE 6712–01–P

FEDERAL MEDIATION AND CONCILIATION SERVICE

Service Request Form

AGENCY: Federal Mediation and Conciliation Service (FMCS).

ACTION: 60-Day notice and request for comments.

SUMMARY: The Federal Mediation and Conciliation Service (FMCS) invites the public and other Federal Agencies to take this opportunity to comment on the following information collection request, Service Request Form. This information collection request will be submitted for approval to the Office of Management Budget (OMB) in compliance with the Paperwork Reduction Act (PRA). The Service Request Form was developed to process requests for services while ensuring

compliance with the paperwork reduction act.

DATES: Comments must be submitted on or before May 14, 2026.

ADDRESSES: You may submit comments, identified by the Service Request Form, through one of the following methods:

- *Email:* register@fmcs.gov;
- *Mail:* Office of General Counsel, One Independence Square, 250 E St. SW, Washington, DC 20427.

FOR FURTHER INFORMATION CONTACT: Jennifer Disotell, Associate Deputy Director of Field Operations, 206–553–4821, jdisotell@fmcs.gov.

SUPPLEMENTARY INFORMATION: A copy of the agency form and confirmation PDF are attached. A confirmation PDF will be sent once the form is submitted online.

I. Request for Comments

FMCS solicits comments to:

- i. Evaluate whether the proposed collections of information are necessary for the proper performance of the functions of the agency, including whether the information will have practical utility.
- ii. Enhance the accuracy of the agency's estimates of the burden of the proposed collection of information.
- iii. Enhance the quality, utility, and clarity of the information to be collected.
- iv. Minimize the burden of the collections of information on those who are to respond, including the use of appropriate automated, electronic collection technologies or other forms of information technology.

II. Information Collection Request

Agency: Federal Mediation and Conciliation Service.

Form Number: Not yet assigned.

Title: Service Request Form.

Type of Request: New Collection.

Affected Entities: Federal Government, private sector, private sector (not-for profit institutions), and state and local government.

Frequency: Daily.

Burden: The total annual burden estimate is that FMCS will receive approximately 50 responses per week. This form takes about 5 minutes to complete.

Information Collection Requirement: 29 U.S.C. 172, *et seq.* authorizes and requires FMCS to perform services dependent upon the information collected in these forms.

Purpose and Description of Data Collection: The information collected will be used by Field Operations to deliver FMCS services to requesters. The Service Request Form is not a

statistical survey that will yield quantitative results that can be generalized to the population of study.

III. The Official Record

The official records are electronic records.

Dated: May 13, 2026

Haneefah Allen,
Paralegal Specialist.

FMCS Service Request Form

OMB No. xxxx-xxxx

Expires xx-xx-xxxx

By completing the following form, you are requesting that FMCS provide a service for you. FMCS will contact you shortly to discuss the nature of your request, details, timelines, etc. FMCS will always discuss the scope of the service with you to ensure the request falls within our scope of authority.

Please do not send your request by email, fax, postal service, or directly to any FMCS employee.

Type of Service Requested* (list of services offered)

Service Category* (List of options including other)

If Other (optional text box)

Work Sector* (select): Private Sector, Federal Sector, Public Sector

Industry or Work Activity * (list of options)

Critical Infrastructure
Pursuant to 42 U.S.C. 5195c(e), critical infrastructure is defined as “systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters.” For more information on critical infrastructure, click [here](#).

Does this request pertain to services involving critical infrastructure? * (list of options)

Parties Involved* (select) Both, Employer Only, Union Only

Employer Organization Information

If the employer is a labor union, check this box (if checked, selection of options or text entry via selection of “Other”)

Organization Name* (text entry or select organization name from drop down of over 5000 organization names in the FMCS database)

Address Line 1 *

Address Line 2

City *

State* (all states/provinces listed)

Zip Code*

Employer website

Employer Representative

First Name *

Last Name *

Business Email *

Confirm Email *

Primary Phone *

Ext

Labor Organization Information

Union Full Name * (selection of options or text entry via selection of "Other")
Union Acronym (only appears if select "Other" in Union full name)
Union Unit Number:
Address Line 1 *
Address Line 2
City *
State * (all states/provinces listed)
Zip Code *
Primary Function of Bargaining Unit Employees

Union Representative

First Name *
Last Name *
Business Email *
Confirm Email *
Primary Phone *
Ext

CBA and Bargaining Unit Information

Type of Upcoming Negotiation* (select)
Successor Contract (*Expiring existing contract*), Contract Re-Opener (*Mid-term re-opener of existing contract*), Initial Contract (*Initial or First contracts usually do not file.*)

This may cause a duplication in the system since we are already notified by the NLRB. These cases will be assigned to a mediator if they meet the current criteria/metrics for case assignment. If you would like a mediator assigned, email clientservices@fmcs.gov.)

Estimated Bargaining Unit Size *
Contract Expiration Date * (appears and required if Successor Contract or Contract Re-Opener is selected)
Contract Reopen Date* (appears and required if Contract Re-Opener is selected)

Location of Requested Service

City *
State * (all states/provinces listed)
Zip Code *
How did you hear about our services* (selection of options or text entry via selection of "Other")

Requester

First Name *
Last Name *
Title *
Business Email *
Confirm Email *
Primary Phone *

Ext

Final Instructions

*Please be patient while submitting your Request to FMCS. Do not click the 'Submit' button more than once. Doing so may cause a duplicate submission and no confirmation page.

NOTE:

1. After you submit this request, you should receive a date, time, AND a confirmation number as well as an emailed pdf of your request. Please note, only the named Requester on this form will receive an emailed pdf of the request. If you do not receive a confirmation number or email, please contact FMCS at clientservices@fmcs.gov.

If you are having issues with this page, have questions about our Services, or would like someone to contact you to discuss your needs in advance of a service request or following a service delivery, please contact us at clientservices@fmcs.gov, or call us at (202) 606-5499.

BILLING CODE 6732-01-P

**FEDERAL MEDIATION & CONCILIATION SERVICE
SERVICE REQUEST FORM**Form Approved
OMB NO. XXXX-XXXX
Expires XX-XX-XXXX

Date Submitted:

Confirmation Number:

This is your electronic receipt of the submission of the service request. For Questions concerning request, undue hardships, or if further assistance is required, please contact our Client Services department by email at clientservices@fmcs.gov or call us at (202) 606-5499.Work Sector* ☐ Private Sector ☐ Federal Sector ☐ Public Sector

Type of Service Requested*

Service Category* If Other:

Industry or Work Activity*

Critical Infrastructure

Pursuant to 42 U.S.C. § 5195c(e), critical infrastructure is defined as "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters." For more information on critical infrastructure, click [here](#).

Does this request pertain to services involving critical infrastructure?*

Employer Organization Information

Organization Name*

Address Line 1*

Address Line 2

City*

State*

Zip Code*

Employer Web Site

Employer Representative

First Name*

Last Name*

Business E-Mail*

Primary Phone*

Ext.

Labor Organization Information

Union Full Name*

Union ACRONYM

Union Unit Number

Address Line 1*

Address Line 2

City*

State*

Zip Code*

Primary Function of Bargaining Unit Employees

Union Representative

First Name*

Last Name*

Business E-Mail*

Primary Phone*

Ext.

Type of Upcoming Negotiation * ☐ Successor Contract ☐ Contract Re-Opener ☐ Initial Contract Estimated Bargaining Unit Size*

Contract Expiration Date

Contract Reopen Date

Location of Requested Service: City*

State*

Zip Code*

How Did You Hear About Our Services*

If Other:

Requester: First Name*

Last Name*

24. Title*

Business E-Mail*

Primary Phone*

Ext.

[FR Doc. 2026-09783 Filed 5-14-26; 8:45 a.m.]

BILLING CODE 6732-01-C

FEDERAL RESERVE SYSTEM**Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company**

The notificants listed below have applied under the Change in Bank Control Act (Act) (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the applications are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The public portions of the applications listed below, as well as other related filings required by the Board, if any, are available for immediate inspection at the Federal Reserve Bank(s) indicated below and at the offices of the Board of Governors. This information may also be obtained on an expedited basis, upon request, by contacting the appropriate Federal Reserve Bank and from the Board's Freedom of Information Office at <https://www.federalreserve.gov/foia/request.htm>. Interested persons may express their views in writing on the standards enumerated in paragraph 7 of the Act.

Comments received are subject to public disclosure. In general, comments received will be made available without change and will not be modified to remove personal or business information including confidential, contact, or other identifying information. Comments should not include any information such as confidential information that would not be appropriate for public disclosure.

Comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors, Benjamin W. McDonough, Secretary of the Board, 20th Street and Constitution Avenue NW, Washington DC 20551-0001, not later than June 1, 2026.

A. Federal Reserve Bank of Kansas City (Jeffrey Imgarten, Assistant Vice President) 1 Memorial Drive, Kansas City, Missouri 64198-0001. Comments can also be sent electronically to KCAApplicationComments@kc.frb.org:

1. *The EJH Trust 2021, Brock Hampton, as trustee, and certain minor child all of Wichita, Kansas; the LIB Trust, the BJBM Trust, and the KMM Trust, Sarahn S. Bastian, as trustee, all of Colorado Springs, Colorado; to join the Bastian Family Control Group, a group acting in concert, to acquire*

voting shares of Fidelity Financial Corporation, and thereby indirectly acquire voting shares of Fidelity Bank, National Association, both of Wichita, Kansas. Brock Hampton and Sarahn S. Bastian are members of the Bastian Family Control Group and were each previously permitted by the Federal Reserve System to acquire voting shares of Fidelity Financial Corporation in their individual capacities.

Board of Governors of the Federal Reserve System.

Michele Taylor Fennell,

Associate Secretary of the Board.

[FR Doc. 2026-09806 Filed 5-14-26; 8:45 am]

BILLING CODE P

DEPARTMENT OF HEALTH AND HUMAN SERVICES**Centers for Disease Control and Prevention****Meeting of the Advisory Board on Radiation and Worker Health, National Institute for Occupational Safety and Health**

AGENCY: Centers for Disease Control and Prevention (CDC), Department of Health and Human Services (HHS).

ACTION: Notice of meeting.

SUMMARY: In accordance with the Federal Advisory Committee Act, the Centers for Disease Control and Prevention (CDC) announces the following meeting of the Advisory Board on Radiation and Worker Health (ABRWH). This meeting is open to the public, but without an oral public comment period. The public is welcome to submit written comments in advance of the meeting, to the contact person below. The public is also welcome to listen to the meeting by joining the audio conference (information below). The audio conference line has 150 ports for callers.

DATES: The meeting will be held on June 18, 2026, from 11 a.m. to 1 p.m., EDT.

Written comments must be received on or before June 11, 2026.

ADDRESSES: You may submit comments by mail to: Rashaun Roberts, Ph.D., Designated Federal Officer, National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, 1090 Tusculum Avenue, Mailstop C-24, Cincinnati, Ohio 45226. Email: ocas@cdc.gov.

Written comments received in advance of the meeting will be included in the official record of the meeting.

Meeting Information: Audio Conference Call via FTS Conferencing.

The USA toll-free dial-in number is 1-866-659-0537; the passcode is 9933701.

FOR FURTHER INFORMATION CONTACT:

Rashaun Roberts, Ph.D., Designated Federal Officer, National Institute for Occupational Safety and Health, Centers for Disease Control and Prevention, 1090 Tusculum Avenue, Mailstop C-24, Cincinnati, Ohio 45226, Telephone: (513) 533-6800, Email: ocas@cdc.gov.

SUPPLEMENTARY INFORMATION:

Background: The Advisory Board was established under the Energy Employees Occupational Illness Compensation Program Act of 2000 to advise the President on a variety of policy and technical functions required to implement and effectively manage the compensation program. Key functions of the Advisory Board include providing advice on the development of probability of causation guidelines, which have been promulgated by the Department of Health and Human Services (HHS) as a final rule; advice on methods of dose reconstruction, which have also been promulgated by HHS as a final rule; advice on the scientific validity and quality of dose estimation and reconstruction efforts being performed for purposes of the compensation program; and advice on petitions to add classes of workers to the Special Exposure Cohort (SEC). In December 2000, the President delegated responsibility for funding, staffing, and operating the Advisory Board to HHS, which subsequently delegated this authority to the CDC. NIOSH implements this responsibility for CDC.

The charter was issued on August 3, 2001, renewed at appropriate intervals, and rechartered under Executive Order 14109 (September 29, 2023) on March 22, 2024. Unless continued by the President, the Advisory Board will terminate on September 30, 2027, consistent with Executive Order 14354 of September 29, 2025.

Purpose: The Advisory Board is charged with (a) providing advice to the Secretary, HHS, on the development of guidelines under Executive Order 13179; (b) providing advice to the Secretary, HHS, on the scientific validity and quality of dose reconstruction efforts performed for this program; and (c) upon request by the Secretary, HHS, advising the Secretary on whether there is a class of employees at any Department of Energy facility who were exposed to radiation but for whom it is not feasible to estimate their radiation dose, and on whether there is reasonable likelihood that such radiation doses may have endangered the health of members of this class.

Matters to be Considered: The agenda will include discussions on the following: Program updates; workgroup and subcommittee reports; update on the status of SEC petitions; and planning for an August 2026 Advisory Board meeting. Agenda items are subject to change as priorities dictate. For additional information, please contact Toll Free 1–800–232–4636.

The Director, Office of Strategic Business Initiatives, Office of the Chief Operating Officer, Centers for Disease Control and Prevention, has been delegated the authority to sign **Federal Register** notices pertaining to announcements of meetings and other committee management activities, for both the Centers for Disease Control and Prevention and the Agency for Toxic Substances and Disease Registry.

Kalwant Smagh,

Director, Office of Strategic Business Initiatives, Office of the Chief Operating Officer, Centers for Disease Control and Prevention.

[FR Doc. 2026–09770 Filed 5–14–26; 8:45 am]

BILLING CODE 4163–18–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS–6102–N]

Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Nationwide Temporary Moratorium on Enrollment of Hospices

AGENCY: Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS).

ACTION: Notice.

SUMMARY: This notice announces the imposition of a 6-month nationwide moratorium on the Medicare enrollment of hospices.

DATES: This moratorium is effective on May 13, 2026.

FOR FURTHER INFORMATION CONTACT: Frank Whelan, (410) 786–1302.

SUPPLEMENTARY INFORMATION:

I. Background

A. CMS' Authority To Impose Temporary Enrollment Moratoria

1. Statutory and Regulatory Background

Under the Patient Protection and Affordable Care Act (Pub. L. 111–148), as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111–152) (collectively known as

the Affordable Care Act), Congress provided the Secretary with new tools and resources to combat fraud, waste, and abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). One of these was section 6401(a) of the Affordable Care Act, which added a new section 1866(j)(7) to the Social Security Act (the Act). It provided the Secretary with authority to impose a temporary moratorium on the enrollment of new fee-for-service (FFS) Medicare, Medicaid or CHIP providers and suppliers (including categories of providers and suppliers) if the Secretary determines that a moratorium is necessary to prevent or combat fraud, waste, or abuse under these programs.

Section 6401(b) of the Affordable Care Act added specific moratorium language applicable to Medicaid at section 1902(kk)(4) of the Act, requiring States to comply with any moratorium imposed by the Secretary unless the state determines that the imposition of such moratorium would adversely impact Medicaid beneficiaries' access to care. Section 6401(c) of the Affordable Care Act amended section 2107(e)(1) of the Act to provide that all the Medicaid provisions in sections 1902(a)(77) and 1902(kk) also apply to CHIP.

In February 2011, in accordance with the aforementioned authority, CMS published a final rule with comment period titled, "Medicare, Medicaid, and Children's Health Insurance Programs; Additional Screening Requirements, Application Fees, Temporary Enrollment Moratoria, Payment Suspensions and Compliance Plans for Providers and Suppliers" (76 FR 5862). This final rule implemented section 1866(j)(7) of the Act by establishing new regulations at 42 CFR 424.570. Under § 424.570(a)(2)(i) and (iv), CMS—or CMS in consultation with the Department of Health and Human Services Office of Inspector General (HHS–OIG), the Department of Justice (DOJ), or both—may impose a temporary moratorium on newly enrolling Medicare providers and suppliers if CMS determines that there is a significant potential for fraud, waste, or abuse with respect to a particular provider or supplier type, particular geographic areas, or both.

2. Particulars of a Moratorium as Outlined in § 424.570

a. Length

Per § 424.570(b), a temporary enrollment moratorium imposed by CMS remains in effect for 6 months. If CMS deems it necessary, the moratorium may be extended in 6-

month increments. CMS evaluates whether to extend or lift the moratorium before the end of the initial 6-month period and, if applicable, before the expiration of any subsequent moratorium period. If the moratorium announced in this notice is extended, CMS will publish a document regarding such extension(s) in the **Federal Register**.

b. Cessation

As provided in § 424.570(d), CMS may lift a moratorium at any time if: (1) the President declares an area a disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act; (2) circumstances warranting the imposition of a moratorium have abated or CMS has implemented program safeguards to address the program vulnerability; (3) the Secretary has declared a public health emergency; or (4) in the judgment of the Secretary, the moratorium is no longer needed. Once a moratorium is lifted, the provider or supplier types that were unable to enroll because of the moratorium will be assigned to the "high" screening level in accordance with §§ 424.518(c)(3)(iii) and 455.450(e)(2) if such provider or supplier applies for enrollment at any time within 6 months from the date the moratorium was lifted.

c. Circumstances in Which Moratorium Is Inapplicable

Under § 424.570(a)(1)(iii), a temporary moratorium does not apply to any of the following:

- Changes in practice location (except if the location is changing from a location outside the moratorium area to a location inside the moratorium area).
- Changes in provider or supplier information, such as phone numbers.
- Changes in ownership (except changes in ownership of home health agencies, hospices, or suppliers of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) that would require an initial enrollment).

Also, in accordance with § 424.570(a)(1)(iv), a temporary moratorium does not apply to any enrollment application that has been received by the Medicare contractor prior to the date the moratorium is imposed.

3. Announcement of Moratorium

CMS states at § 424.570(a)(1)(ii) that it will announce a temporary moratorium in a **Federal Register** notice that includes the rationale for its imposition. This notice fulfills that requirement.

B. CMS' Previous Temporary Enrollment Moratoria

We first used our moratorium authority in a notice issued on July 31, 2013 (78 FR 46339). The moratorium prevented enrollment of: (1) new home health agencies (HHAs) in Miami-Dade County, Florida and Cook County, Illinois, as well as surrounding counties; and (2) Part B ambulance suppliers in Harris County, Texas and surrounding counties. We exercised our moratorium authority again in a notice published on February 4, 2014 (79 FR 6475). This involved—

- Extending our existing moratoria for an additional 6 months.
- Expanding it to include enrollment of—

++ HHAs in Broward County, Florida; Dallas County, Texas; Harris County, Texas; and Wayne County, Michigan and surrounding counties; and

++ Ground ambulance suppliers in Philadelphia, Pennsylvania and surrounding counties.

We extended these moratoria for additional 6-month periods on August 1, 2014 (79 FR 44702), February 2, 2015 (80 FR 5551), July 28, 2015 (80 FR 44967), and February 2, 2016 (81 FR 5444).

We again extended these moratoria for another 6 months on August 3, 2016 (81 FR 51120) and also expanded them statewide with respect to the enrollment of new HHAs in Florida, Illinois, Michigan, and Texas, and Part B non-emergency ambulance suppliers in New Jersey, Pennsylvania, and Texas. Yet in this same notice, we announced the lifting of temporary moratoria for all Part B emergency ambulance suppliers.

The original 2013 moratorium, after being extended and revised several times,¹ expired on January 30, 2019.

¹ On January 9, 2017, CMS issued another notice to extend the temporary moratoria for a period of 6 months (82 FR 2363). On January 9, 2017 (82 FR 2363) and July 28, 2017 (82 FR 35122), CMS again issued a notice to extend the temporary moratoria for a period of 6 months. On September 1, 2017, CMS lifted the Statewide temporary moratorium on the enrollment of new Medicare Part B non-emergency ground ambulance suppliers in Texas under the authority of § 424.570(d). This lifting of the moratorium also applied to Medicaid and CHIP in Texas. This decision was a result of the Presidential Disaster Declaration signed on August 25, 2017, for several counties in the State of Texas due to Hurricane Harvey. Upon declaration of the disaster, CMS carefully reviewed the potential impact of continued moratoria in Texas and decided to lift the temporary enrollment moratorium on non-emergency ground ambulance suppliers in Texas in order to aid in the disaster response. CMS published a formal announcement of this decision on November 3, 2017 (82 FR 51274). On January 30, 2018 (83 FR 4147), CMS announced the extension of the temporary moratoria for an additional 6 months. In August

However, in the February 27, 2026, **Federal Register** (91 FR 9855), we published a notice announcing a 6-month nationwide moratorium on medical supply companies enrolling as suppliers of DMEPOS.² This moratorium remains in effect.

C. Determination of the Need for Moratoria

In determining whether to establish an enrollment moratorium, CMS considers whether a high risk of fraud, waste, or abuse exists. CMS also relies on its own and law enforcement's longstanding experience with ongoing and emerging fraud trends and activities gained through civil, criminal, and administrative investigations and prosecutions.

1. Law Enforcement

The HHS-OIG has highlighted the problem of hospice fraud, waste, and abuse. It recently stated: "[T]here are significant problems with the (hospice) program. Our reports and investigations have revealed several concerning issues, including poor—sometimes harmful—quality of care, fraud schemes that involve enrolling beneficiaries without their consent, inappropriate billing practices, limited transparency for patients and their families, a payment system that creates incentives to minimize services, and a rapid growth in the number of new hospices, often to take advantage of these conditions." ³ The OIG in April 2025 also announced an upcoming audit titled "Trends, Patterns, and Key Comparisons Related to New Medicare Hospice Provider Enrollments May Indicate the Need for Further Oversight" (OAS-25-09-034), stating: "Our objective is to identify trends, patterns, and key comparisons that indicate potential vulnerabilities related to new Medicare hospice provider enrollments. The data brief may help CMS evaluate the need for additional monitoring and program integrity efforts to ensure that hospices meet all the requirements." ⁴

The OIG and DOJ have in the past encouraged CMS to undertake anti-fraud measures regarding hospices, and we

2018, CMS announced the extension of the temporary moratoria for an additional 6 months. CMS allowed the temporary moratoria to expire on January 30, 2019.

² "Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Nationwide Temporary Moratoria on Enrollment of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Supplier Medical Supply Companies", 91 FR 9855.

³ <https://oig.hhs.gov/reports/featured/hospice/>.

⁴ <https://oig.hhs.gov/reports/work-plan/browse-work-plan-projects/trends-and-patterns-in-data-related-to-newly-enrolled-hospice-providers/>.

believe the action announced by this notice is consistent therewith.

2. Data Analysis

In contemplating the present moratorium, we also used data analysis that included reviewing (i) both current and historic Medicare enrollment data and (ii) indicators of fraud, waste, and abuse. Sections II.A. and B. of this notice discuss our review in more detail.

3. Beneficiary Access to Care

Patient access to care in Medicare, Medicaid and CHIP is of critical importance to CMS and our state partners. CMS has carefully evaluated access to hospice care for Medicare beneficiaries nationwide. We discuss our findings later in this notice.

II. National Hospice Moratorium

Per our authority at § 424.570(a)(2)(i) and (a)(2)(iv), CMS is implementing a nationwide temporary moratorium on the Medicare enrollment of hospices. In this section of this notice, we explain the rationale for and scope of this moratorium.

A. Hospice Program Integrity Risks

1. The Increased Threat of Hospice Fraud, Waste, and Abuse

As previously indicated, hospice fraud, waste, and abuse has been a dilemma for some time. Although, on the surface, hospices traditionally had not appeared to pose the program integrity threat of certain other provider/supplier types like HHAs and DMEPOS suppliers, the elevated risk was still there. This risk has dramatically increased in the past 7 years to the point where hospices present no less of a payment safeguard threat than HHAs and DMEPOS suppliers. CMS outlined the rising problems in 2023, noting in part the following:

- Instances of hospices certifying patients for hospice care when they were not terminally ill and providing little to no services to beneficiaries.⁵ This included telling patients that they were terminally ill when they were not. In such circumstances, beneficiaries who are inappropriately deemed terminally ill may be denied coverage for other care because they are receiving the hospice benefit.

- The rapid growth in potentially fraudulent hospices, particularly in

⁵ <https://www.cms.gov/blog/cms-taking-action-address-benefit-integrity-issues-related-hospice-care#:~:text=Unfortunately%2C%20hospices%20are%20profiting%20from,beneficiaries%20in%20the%20Medicare%20program.>

Arizona, California, Nevada, and Texas, and that some of the addresses for these hospices appeared to be non-operational.⁶

• “Churn and burn” schemes whereby a new hospice opens and starts billing but once that hospice is audited or reaches its statutory yearly payment limit, it shuts down, keeps the money, and buys a new Medicare billing number; it then transfers its patients over to the new Medicare billing number, and starts billing again.⁷

Other problems we have seen included but were not limited to: (1) hospices paying recruiters to target beneficiaries who are not eligible for hospice care, sometimes without the beneficiary’s knowledge; (2) hospices paying kickbacks to physicians for the latter to falsely certify a patient’s terminal status (or falsely certifying even without receiving remuneration); and (3) parties establishing hospices for the exclusive purpose of selling them for a profit and/or after committing

fraud but before they can be revoked from Medicare. Furnishing quality patient care was not a priority—or even a consideration—for these parties.

The tremendous growth in the number of hospices in certain states has been especially noteworthy and disturbing. In Arizona, California, Nevada, and Texas, the percentage increase has been far higher than that of hospice beneficiaries. Consider the following CMS data between calendar year (CY) 2019 and 2023:

TABLE 1—NUMBER OF ENROLLED HOSPICES IN CY 2019 AND CY 2023

State	CY 2019	CY 2023	Percentage increase
Arizona	152	311	105
California	1,130	2,559	126
Nevada	55	138	151
Texas	718	1,081	51

The problem has been particularly acute in places like Los Angeles County in California, where numerous hospices were simultaneously operating out of a single building or otherwise were massed in large numbers within a very small geographic area or neighborhood.

2. Criminal and Other Improper Hospice Activity

In the CY 2024 Home Health Prospective Payment System (HH PPS) final rule (88 FR 77676) and the Fiscal Year (FY) 2024 Hospice Wage Index final rule (88 FR 51164), we outlined a number of improper hospice activities we had seen.⁸ This included criminal cases involving hospices. We unfortunately continue to see criminal or other inappropriate activity in the hospice sphere, with some court cases involving the behavior cited in section II.A. of this notice. Recent cases include, but are not limited to, the following:

• A former Louisiana resident in June 2024 was sentenced to 6 years in prison for conspiracy to commit health care fraud and three counts of health care fraud. Evidence presented at trial demonstrated that over 24 patients were placed on hospice by the defendant’s hospice without meeting the criteria required by Medicare. During the time period that the patients were under the care and supervision of the hospice,

none of them had been diagnosed with a terminal condition and, in fact, many of the patients and their families never even knew they had been placed on hospice. One patient testified at trial that Medicare refused to cover a procedure he needed to have because, unbeknownst to him, he was listed as a hospice patient. Many of these patients thought they were receiving some type of home health or free services, rather than being placed on hospice.⁹

• A Utah health care company in March 2023 agreed to pay over \$1 million to resolve allegations they violated the False Claims Act by submitting false claims to Medicare and Medicaid for hospice services that were not medically necessary; the patients’ records lacked documentation of a terminal illness to qualify for services.¹⁰

• Several California residents were sentenced to prison in 2025 for their roles in defrauding Medicare of nearly \$16 million through sham hospice companies and laundering the fraudulent proceeds. According to court documents, the individuals—who operated several sham hospices—schemed to bill Medicare for hospice services that were medically unnecessary and never provided. They concealed the scheme by using foreign nationals’ names and personally identifiable information to act as straw

owners for the hospices and to open bank accounts, submit information to Medicare, and sign property leases. They also controlled and used cell phones in the names of the foreign nationals in furtherance of the scheme. After defrauding Medicare, the individuals moved the funds between various assets and accounts—including bank accounts in the names of shell companies—to further conceal their actions.¹¹

• Two California residents were found guilty in December 2024 of paying and receiving hundreds of thousands of dollars in illegal kickbacks for patient referrals that resulted in the submission of approximately \$3.2 million in fraudulent claims to Medicare for purported hospice care. One of the individuals had been excluded from Medicare because of prior federal convictions for receiving illegal kickbacks. While excluded, she purchased a hospice through her daughter and concealed her ownership interest in the hospice from Medicare. She (the owner) then paid “marketers” (including her co-defendant) hundreds of thousands of dollars in illegal kickbacks for patient referrals that she could bill to Medicare for purported hospice care.

Also, and consistent with the owner’s instructions, the co-defendant falsely

⁶ Ibid.

⁷ Ibid.

⁸ “Medicare Program; Calendar Year (CY) 2024 Home Health (HH) Prospective Payment System Rate Update; HH Quality Reporting Program Requirements; HH Value-Based Purchasing Expanded Model Requirements; Home Intravenous Immune Globulin Items and Services; Hospice Informal Dispute Resolution and Special Focus

Program Requirements, Certain Requirements for Durable Medical Equipment Prosthetics and Orthotics Supplies; and Provider and Supplier Enrollment Requirements”, November 13, 2023 (88 FR 77676); “Medicare Program; FY 2024 Hospice Wage Index and Payment Rate Update, Hospice Conditions of Participation Updates, Hospice Quality Reporting Program Requirements, and Hospice Certifying Physician Provider Enrollment Requirements”, August 2, 2023 (88 FR 51164).

⁹ <https://www.justice.gov/usao-wdla/pr/hospice-care-company-owner-sentenced-health-care-fraud-charges>.

¹⁰ <https://www.justice.gov/usao-ut/pr/summit-hospice-pay-over-1m-settle-false-claims-liability>.

¹¹ <https://www.justice.gov/opa/pr/four-california-residents-sentenced-prison-connection-16m-hospice-fraud-and-money-laundering>.

represented to prospective patients that they did not need to be dying to be on hospice. After collecting personal identifying information from prospective patients who were not dying, the co-defendant sent the information to the owner so the latter could bill Medicare for purported hospice care. Many of the patients that were billed to the hospice did not know they were signed up for hospice, and some patients only found out after they were denied medical coverage for services they needed. In addition:

++ When Medicare requested additional documentation from the hospice to support the purported hospice claims, the owner and her husband directed employees to create fake patient charts and had said charts submitted to Medicare.

++ Court documents alleged that while awaiting trial in this matter, the owner took control of three other hospices and caused the submission of approximately \$4.8 million in claims for purported hospice care.¹²

• A successor to a hospice chain agreed in July 2024 to pay over \$19 million to resolve allegations that the chain knowingly submitted false claims and knowingly retained overpayments for hospice services provided to patients who were ineligible to receive hospice benefits. The hospice locations included sites in Rhode Island, Texas, Missouri, Alabama, Indiana, and Ohio. The specific allegations included the following:

++ The defendants knowingly submitted or caused to be submitted false claims for hospice services provided to hospice patients who were ineligible for the Medicare or Medicaid hospice benefit because they were not terminally ill.

++ Some locations knowingly and improperly concealed or avoided obligations to repay the foregoing hospice claims.

++ One location allegedly violated the Anti-Kickback Statute by willfully paying remuneration to a consulting physician to induce hospice referrals.¹³

• A Georgia hospice and its owners and managers in June 2024 agreed to pay \$1.4 million to resolve allegations that they violated the False Claims Act by entering into kickback arrangements with medical directors in exchange for referrals of hospice patients to the hospice. The alleged kickbacks included monthly stipends and a signing bonus

paid to the medical directors. The compensation allegedly increased when the medical director referred more patients and decreased when the medical director failed to make referrals. The Special Agent in Charge of the Federal Bureau of Investigation's Atlanta office stated: "The False Claims Act settlement in this case will hopefully be a deterrent to those who selfishly evade our federal healthcare programs for their own benefit." The Georgia Attorney General added: "Decisions regarding end-of-life care are incredibly difficult and personal, and families must be able to trust the intentions of their chosen providers. Those who instead take advantage of the system for their own personal gain will be held accountable."¹⁴

• The owner and operator of a Louisiana hospice with multiple offices was sentenced to 20 years in prison in May 2024 for orchestrating an extensive health care fraud scheme. The hospice billed Medicare approximately \$84 million in fraudulent claims and was paid approximately \$42 million relating to these claims. The scheme involved: (1) overbilling for hospice patients for expensive general inpatient services; and (2) manipulating Medicare billing codes despite such services being medically unnecessary or despite their inclusion in the daily hospice benefit the hospice already received for its patients. The Special Agent in Charge at HHS-OIG said the defendant, "showed no regard for quality end-of-life hospice care. Instead, [his] motivation centered around multiple fraud schemes to maximize profit and steal from American taxpayers." The Special Agent in Charge of the FBI New Orleans Division stated: "Each fraudulent claim filed by [the defendant] potentially deprived another deserving and suffering individual from the emotional and physical comfort of end-of-life care."¹⁵

• Several companies in May 2024 agreed to pay \$4.2 million to resolve allegations that they violated the False Claims Act by knowingly submitting false claims and knowingly retaining overpayments for the care of hospice patients in Texas; the patients were ineligible for the Medicare hospice benefit because they were not terminally ill.¹⁶

¹⁴ <https://www.justice.gov/usao-ndga/pr/tapestry-hospice-settles-healthcare-kickback-claims-14-million>.

¹⁵ <https://www.justice.gov/usao-edla/pr/hospice-owner-sentenced-240-months-imprisonment-and-ordered-repay-42000000-defrauding>.

¹⁶ <https://www.justice.gov/archives/opa/pr/elara-caring-agrees-pay-42-million-settle-false-claims-act-allegations-it-billed-medicare>.

• The owner of two California-based hospice companies, along with his biller/consultant, were sentenced to prison in March 2024 for their roles in a scheme that resulted in obtaining over \$9 million from Medicare in false and fraudulent claims for hospice services. According to court documents, the owner concealed his ownership and control over the hospice entities from Medicare, inserted nominee owners, paid kickbacks to patient recruiters, and profited from the scheme. The biller/consultant, meanwhile, submitted false and fraudulent Medicare enrollment forms, falsely identifying a straw owner as the sole owner and manager and concealing the actual owners and managers.¹⁷

• In February 2024, a California man was convicted for his role in a scheme to defraud Medicare by billing \$2.8 million for hospice services that patients did not need. According to court documents and evidence presented at trial, the individual was the medical director of several hospice companies. He fraudulently certified Medicare patients of one hospice as having terminal illnesses that the patients did not have so the hospice could bill Medicare for hospice services. The individual in 2015 was listed as the attending provider for more hospice claims paid by Medicare than any other provider in the nation.¹⁸

• A Texas man in September 2023 was sentenced to prison for his role in a scheme that involved the submission of over \$150 million in false and fraudulent claims to Medicare for hospice and other health care services. According to court documents, the person was the medical director of a large health care company that operated dozens of locations throughout Texas. Evidence at the trial of his co-defendants showed that the company marketed their hospice programs through a group of companies. They enrolled patients with long-term incurable diseases, such as Alzheimer's and dementia, as well as patients with limited mental capacity who lived at group homes, nursing homes, and in housing projects. In some instances, the company marketers falsely told patients they had less than six months to live. They also sent chaplains to the patients based on the false pretense they were near death. The group hired the defendant and other medical directors but made payment of their medical director fees contingent upon an

¹⁷ <https://www.justice.gov/archives/opa/pr/two-men-sentenced-role-9m-hospice-fraud-scheme>.

¹⁸ <https://www.justice.gov/archives/opa/pr/doctor-convicted-28m-medicare-fraud-scheme>.

¹² <https://www.justice.gov/usao-cdca/pr/glendale-woman-and-lakewood-man-found-guilty-32-million-hospice-fraud-scheme-involving>.

¹³ <https://www.justice.gov/usao-wdky/pr/kindred-and-related-entities-agree-pay-19428m-settle-federal-and-state-false-claims>.

agreement to certify unqualified patients for hospice. In addition to regular medical director payments, the defendant received luxury trips, bottle service at exclusive nightclubs, and other perks in exchange for his certification of unnecessary hospice patients. He himself certified over \$18 million in unnecessary hospice services as part of the over \$150 million conspiracy.¹⁹

- An Oklahoma hospice company agreed to pay over \$48,000 to resolve allegations that it violated the False Claims Act by knowingly submitting false claims to Medicare for hospice care provided to beneficiaries who did not qualify for the services (they were not terminally ill) and for services that were not medically necessary.²⁰

- A health care company in February 2025 agreed to pay \$3 million to resolve allegations that it violated the False Claims Act by knowingly submitting false claims for the care of hospice patients in Alabama who were ineligible for the Medicare hospice benefit because they were not terminally ill.²¹

- A California physician who worked for two hospices was sentenced to Federal prison in December 2024. He and his co-defendant schemed to defraud Medicare by submitting nearly \$4 million in false and fraudulent claims for hospice services submitted by two hospice companies, which the co-defendant controlled. The physician falsely stated on claim forms that patients had terminal illnesses to make them eligible for hospice services covered by Medicare, typically adopting diagnoses provided to him by hospice employees whether or not they were true. He did so even though he was not the patients' primary care physician and had not spoken to those primary care physicians about the patients' conditions. Medicare paid on the claims supported by the defendant's false evaluations and certifications and recertifications of patients.²²

3. CMS Measures Regarding Hospice Fraud

To address several of the foregoing issues, CMS has taken a number of regulatory and operational initiatives.

¹⁹ <https://www.justice.gov/archives/opa/pr/hospice-medical-director-sentenced-150m-hospice-fraud-scheme>.

²⁰ <https://www.justice.gov/usao-ndok/pr/united-states-settles-false-claims-allegations-against-evergreen-hospice-llc-48830>.

²¹ <https://www.justice.gov/opa/pr/saad-healthcare-agrees-pay-3m-settle-false-claims-allegations-it-billed-medicare>.

²² <https://www.justice.gov/usao-cdca/pr/santa-paula-doctor-sentenced-2-years-federal-prison-role-hospice-fraud-bilked-medicare>.

First, all providers/suppliers are assigned to an application screening level under § 424.518 of “limited,” “moderate,” or “high.” Those in the “high” category receive the strictest scrutiny. When initially enrolling in Medicare or undergoing an ownership change “high” level providers/suppliers must undergo a site visit and have their 5 percent or greater owners be subject to fingerprinting for a criminal background check. Hospices in 2011 were originally assigned to the “moderate” category. Given the increase in hospice fraud, waste, abuse—which includes the consequent need to exercise closer scrutiny of hospice owners, such as through criminal background reviews—we moved hospices to the “high” classification beginning in 2024. Hospices are one of only six provider/supplier types in the “high” category, which reflects their uniquely elevated risk.

Second, and to further increase our oversight of hospices, we expanded the change in majority ownership (CIMO) “36-month rule” in § 424.550(b) to include hospices. We found in the mid-2000s that some HHAs were attempting to enter Medicare without undergoing the required State survey or accreditation. Brokers would enroll an HHA (after being surveyed or accredited) with the specific intention of quickly selling it—or “flipping” it—to another party. This enabled the buyer to participate in Medicare with no survey or accreditation of the HHA under its new ownership—hence increasing the possibility of an illegitimate HHA furnishing (and billing for) poor or otherwise non-compliant services to beneficiaries. We thus promulgated § 424.550 in 2009, which required an HHA undergoing a CIMO within 36 months of its initial enrollment (or within 36 months of its most recent CIMO) to initially enroll as a new HHA and undergo a State survey or accreditation (unless certain exceptions apply). As already noted, we have seen similar situations in the hospice realm, whereby promptly selling the business—rather than furnishing good patient care—is the hospice's owner's principal motivation. We believed that expanding the 36-month rule to hospices would help stem the practice by, in part, facilitating a thorough vetting of the new owner and the hospice in question via a survey or accreditation.

Third, 42 CFR 418.22(c) states that (1) the hospice medical director, the physician designee (as defined in § 418.3), or the physician member of the hospice interdisciplinary group (hereafter the “hospice physician”) and

(2) the attending physician (if the beneficiary has one) must initially certify the patient's terminal condition. (For subsequent periods, only the hospice physician must do so). We revised 42 CFR 424.507 in 2023 to require these two categories of physicians to be enrolled in or opted-out of Medicare in order for the hospice service to be paid. We concluded that requiring enrollment or opt-out would allow us to screen the certifying physician to ensure they are qualified (for example, licensed) to certify the terminal condition and do not pose program integrity risks such as past final adverse actions (as that term is defined in § 424.502). This is a particularly important consideration given the aforementioned issue of improper certifications.

Fourth, section 1866(j)(3) of the Act permits the Secretary to establish a provisional period of enhanced oversight (PPEO) of between 30 days and 1 year during which new providers or suppliers (including categories thereof) would be subject to enhanced oversight, such as prepayment review and payment caps. Consistent therewith, and in light of the payment safeguard threats that hospices posed, we implemented a PPEO in 2023 on new hospices enrolling in Arizona, California, Nevada, and Texas. Under this initiative, as of June 2025 approximately 670 hospices were subject to medical review with 122 of them revoked from Medicare. This 18 percent revocation rate is far more than the average revocation rate of about 1 to 3 percent. (That is—and though it varies depending on, for example, the provider/supplier type in question and the geographic region involved—1 to 3 percent of providers/suppliers are revoked at least once during their enrollment). The much higher percentage of hospices revoked during this initiative compared to general provider/supplier revocation rates helps demonstrate the extent of the hospice program integrity problem.

Fifth, we revised our provider enrollment regulations to clarify that hospice medical directors and administrators qualify as “managing employees” under § 424.502. They must therefore be reported on the hospice's Form CMS-855A application (Medicare Enrollment Application—Institutional Providers; OMB Control No. 0938-0685). This would foster greater transparency regarding the operators of hospices. It would also permit us to ascertain whether certain medical directors and administrators hold such roles at multiple hospices, which could be an indicator of a broader scheme if

the hospices in question otherwise pose program integrity risks.

It should be noted, some of these initiatives mirrored recommendations made by national hospice organizations that expressed deep concerns about fraud within the hospice community—concerns that various members of Congress share.²³

B. Ongoing Problems in the Hospice Arena

1. Background and Need for Action

CMS is aggressively continuing its efforts to crush hospice fraud, waste, and abuse via the previous and other measures. Closer examination of hospices via the “36-month rule” and the elevation of hospices to the “high” risk category may well have resulted in some problematic hospice owners being unable to enter Medicare. CMS’ PPEO measures have, as stated, resulted in a number of revocations. Yet we are concerned that vulnerabilities remain. Notwithstanding our tighter screening, hospices can still enroll in large numbers if all Medicare requirements are initially met. This is precisely what occurred in Los Angeles County and elsewhere. The dilemma is that some of these providers later engaged in fraudulent activity. Put otherwise, we have indeed established more stringent requirements for hospices to initially enroll, but they cannot in every case prevent a potentially problematic hospice from entering Medicare. Hospice anti-fraud measures require a comprehensive, wide-ranging approach that impact a variety of hospice activities. They cannot be limited to post-enrollment scrutiny (such as medical review), greater screening of new owners, or even both. All facets of hospice enrollment must likewise be addressed. Given the continued severity

of hospice program integrity problems, we believe that addressing the very front end of the enrollment process—before the Medicare contractor even starts reviewing the hospice’s initial enrollment application, screening the hospice’s owners, etc.—is a program integrity gap that must be filled. Preventive action—specifically, halting fraud before it has a chance to begin—is a far better anti-fraud approach than the traditional “pay-and-chase” model of waiting for the fraud to happen before taking remedial steps.

2. The Historical Benefits of an Enrollment Moratorium

Our previously mentioned HHA and ground ambulance moratoria were intended to address fraud, waste, and abuse among these two provider/supplier types in general and, in particular, the rapid increase in the number of HHAs and ground ambulance suppliers in the affected localities. The two concepts are related. A sudden rise in new enrollments within a particular area that is not tied to a similar increase in the number of Medicare beneficiaries has long been a strong indicator of fraud, waste, and abuse. Consider Nevada in Table 1 of this notice. There was no medical justification for a 151 percent increase in enrolled hospices over a 4-year period, especially since the State’s beneficiary population increased by no more than 10 percent during that timeframe; likewise, having dozens of newly enrolled hospices within a fairly small area of Los Angeles County strongly suggests improper behavior.

The previous moratoria were, in our view, successful in stemming similar activity regarding HHAs and ground ambulance suppliers. Since there were no new enrollments of these provider/

supplier types in the impacted high-fraud regions, new providers/suppliers that would or might otherwise have engaged in fraud, waste, and abuse in these areas were blocked from doing so. Too, with no new provider/suppliers coming in, we were able focus our program integrity efforts and resources on post-enrollment activities—that is, on enrolled HHAs and ground ambulance suppliers. Through our very close scrutiny of their activities and, in some cases, revocations, the overall number of enrolled HHAs and ground ambulance suppliers in said localities fell to a level more commensurate with the number of beneficiaries therein—and with this, an ostensible reduction in fraud, waste, and abuse.

With the aforementioned program integrity gap at the beginning of the hospice enrollment process, the ongoing hospice payment safeguard issues, and the success of our previous moratoria, we believe that temporarily closing the enrollment door at the very start via a moratorium is required.

C. Nationwide Application

Aside from the need to halt hospice fraud at the beginning, there is another consideration behind our planned moratorium and why we believe it should be nationwide: the transitory nature of fraud schemes.

The main impetus for the enrollment measures discussed in section II.A. of this notice were the problems seen in Arizona, California, Nevada, and Texas—mostly involving the quick, sharp increase in new enrollments (described in Table 1). Since CY 2023, the number of new enrollments in Arizona, California, and Texas have fallen substantially, as shown in Table 2:

TABLE 2—NUMBER OF NEWLY ENROLLING HOSPICES IN CY 2023 AND CY 2025

State	CY 2023	CY 2025
Arizona	53	3
California	362	29
Texas	164	67

Encouraging though this is, difficulties remain—and are spreading. The number of newly enrolling hospices in Nevada has changed little since CY 2022 despite our hospice program integrity efforts. Whereas there were five

new hospice enrollments in Nevada in CY 2019, between 35 and 39 hospices have enrolled in each of the last 4 calendar years. The total number of enrolled Nevada hospices continues to rise at a rate well beyond that of the

beneficiary population—from 138 in CY 2023 to 188 in CY 2025, or 36 percent. This potentially reflects a shifting of some fraudulent hospice activity from California and Arizona to Nevada given the sharp decrease in new enrollments

²³ Letter from United States House Representatives Brett Guthrie, John Joyce, M.D., Morgan Griffith, Jason Smith, David Schweikert, and Vern Buchanan to T. March Bell, Inspector General, HHS–OIG, January 9, 2026, <https://energycommerce.house.gov/posts/chairmen-guthrie-joyce-griffith-smith-schweikert-and-buchanan-ask-hhs-oig-about-ongoing-hha-and-hospice-fraud-in-los-angeles-county-1>; Letter from LeadingAge and the National Alliance for Care at

energycommerce.house.gov/posts/chairmen-guthrie-joyce-griffith-smith-schweikert-and-buchanan-ask-hhs-oig-about-ongoing-hha-and-hospice-fraud-in-los-angeles-county-1; Letter from LeadingAge and the National Alliance for Care at

Home Letter to Dr. Mehmet Oz, CMS Administrator, December 22, 2025, <https://allianceforcareathome.org/wp-content/uploads/Final-Alliance-and-LeadingAge-Home-Health-and-Hospice-Program-Integrity-Recommendations.pdf>.

in the former two States. Equally concerning is the increase in hospice payment safeguard problems in States like Ohio and Georgia, neither of which have historically been among the highest risk States for Medicare fraud. Though the number of newly enrolling hospices in Ohio has remained fairly steady over the years, we have recently seen, for example, instances of numerous hospices operating out of a single location. In Georgia, there have been sharp increases in the number of hospices there—from 221 in CY 2019 to 273 in CY 2025, or a 24 percent rise; in this same timeframe, the number of Medicare beneficiaries increased only 6 percent. Again, highly disproportionate and otherwise unwarranted increases in hospice enrollments are often indicative of fraudulent behavior. The Ohio and Georgia situations were so alarming that in 2025 we expanded our four-State PPEO to include these two States. With this spread in hospice fraud—combined with the previously noted fraud cases in typically lower-risk States such as Oklahoma, Utah, and Louisiana—fraudulent hospice activity is clearly a nationwide problem, not a regional or local one. It is not limited to long-standing hotspots of provider and supplier fraud, waste, and abuse such as south Florida. Indeed—like Ohio and Georgia—Nevada, Arizona, and even Los Angeles County were never previously deemed as posing excessively high hospice fraud risks. All of this shows that hospice fraud can (and does) arise anywhere at any time—and can spread to any location regardless of that area's perceived historical risk. As we stated in a previous HHA moratorium notice: “The HHS-OIG and CMS have learned that some fraud schemes are viral, meaning they replicate rapidly within communities, and that health care fraud also migrates—as law enforcement cracks down on a particular scheme, the criminals may redesign the scheme or relocate to a new geographic area.”²⁴ We saw instances of this in our prior HHA and non-emergency ambulance supplier moratoria. Providers would leave the initial counties that were subject to the moratoria and move to other locations to circumvent the enrollment ban. While our consequent expansion to State-based moratoria alleviated this problem on a county-level, we still saw isolated circumvention efforts whereby

providers would leave the impacted States and enroll new locations elsewhere. With a nationwide hospice moratorium, though, prospective hospice enrollees seeking to defraud Medicare would have no new geographic area to go to.²⁵

D. Moratorium Determination and Scope

Considering the foregoing concerns, and after consultation with the OIG, CMS has concluded that hospices have a significant potential for fraud, waste or abuse. With the need to prevent potential fraud before it begins rather than after the fact, we have determined to impose a nationwide moratorium on the enrollment of all hospices and hospice practice locations. Beginning on the effective date of this notice, no new hospices or hospice practice locations will be enrolled in Medicare unless the hospice's enrollment application was received by the applicable Medicare contractor prior to this notice's effective date. Geographically, the moratorium applies to hospices seeking to enroll anywhere in the United States, including all States, territories, and the District of Columbia.

Section 424.550(b), as already mentioned, requires a hospice undergoing a non-exempt CIMO within 36 months of its initial enrollment (or within 36 months of its most recent CIMO) to enroll in Medicare as a brand-new hospice and undergo a State survey or accreditation. The hospice's current enrollment and provider agreement are terminated. This means the hospice's new enrollment is an initial enrollment no less than if the hospice had never enrolled in Medicare before. Hence, our moratorium will prevent a hospice undergoing a non-exempt CIMO from reenrolling in Medicare because, again, it would constitute an initial enrollment; the hospice is “new.”

E. Application to Medicaid and CHIP

Section 1866(j)(7) of the Act authorizes imposition of a temporary enrollment moratorium for Medicare, Medicaid or CHIP if the Secretary determines such moratorium is necessary to prevent or combat fraud, waste, or abuse under either program. The Secretary is not required to impose a particular moratorium on all three programs. This statutory discretion

enables the Secretary to impose a moratorium on any combination of the three programs or one program alone.²⁶

At this time, we believe it is in Medicaid and CHIP beneficiaries' best interest to allow each State to decide whether some form of a hospice moratorium is appropriate for their respective Medicaid programs and CHIPS, and the scope of any such moratorium. Each State has greater expertise and experience with their hospice provider types—including the requirements for each type of hospice—than CMS. Nevertheless, CMS encourages each State to, as appropriate, implement a hospice moratorium tailored to the specifics of their beneficiary population as well as any geographic considerations, (in accordance with 42 CFR 455.470(b)). CMS is also offering every State and territory the opportunity to consult with CMS on the prospect of implementing a Medicaid- or CHIP-based (or both) hospice moratorium in their jurisdictions.

F. Beneficiary Access to Care

In general, and excluding the recent increases in Arizona, California, Georgia, Nevada, and Texas, the number of enrolled hospices nationwide has remained reasonably stable over the past 7 years. During this period, we saw little evidence of nationwide, across-the-board hospice access-to-care issues for beneficiaries in Medicare—or, for that matter, in Medicaid or CHIP. Therefore, we do not believe that a national moratorium will threaten beneficiaries' ability to receive hospice services in any of these programs. However, we will monitor for any access to care issues.

III. No Judicial Review of CMS's Decision To Impose an Enrollment Moratorium

In accordance with section 1866(j)(7)(B) of the Act, there is no judicial review under sections 1869 and 1878 of the Act, or otherwise, of the

²⁶ The aforementioned February 2, 2011, final rule also established new Medicaid regulations at 42 CFR part 455, subpart E, including § 455.470, which implements the moratoria authority under section 1902(kk)(4) of the Act. Likewise, that final rule implemented § 457.990, providing that part 455, subpart E applies to CHIP in the same manner as it applies to Medicaid. Under § 455.470(a)(1) through (3), the Secretary may impose a temporary moratorium, in accordance with § 424.570, on the enrollment of new providers or provider types after consulting with any affected State Medicaid agencies. The State Medicaid agency will impose a temporary moratorium on the enrollment of new providers or provider types identified by the Secretary as posing an increased risk to the Medicaid program unless the State determines that the imposition of a moratorium would adversely affect Medicaid beneficiaries' access to medical assistance and so notifies the Secretary in writing.

²⁴ “Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Temporary Moratoria on Enrollment of Ambulances Suppliers and Providers and Home Health Agencies in Designated Geographic Areas”, July 31, 2013 (78 FR 46339).

²⁵ California enacted legislation in 2021 (SB-664, Health & Safety Code Article 2.3) that placed a moratorium on the issuance of new hospice licenses in the State; the moratorium remains in effect. Although it has helped to significantly reduce the number of new HHAs in California (see Table 2), it cannot prevent hospice enrollment in other States, a problem that a nationwide enrollment moratorium could resolve.

decision to impose a temporary enrollment moratorium. Under §§ 424.530(a)(10) and 424.570(c), CMS denies the enrollment application of a provider or supplier if the provider or supplier is subject to a moratorium. In addition, § 424.514(d)(2)(v)(C) states that if the provider or supplier was required to pay an application fee, the application fee will be refunded if the application was denied because of the imposition of a temporary moratorium. However, a provider or supplier that is impacted by a moratorium may use the existing appeal procedures at 42 CFR part 498 to administratively appeal a denial of billing privileges based on the imposition of a temporary moratorium; the scope of any such appeal, though, would be limited solely to assessing whether the temporary moratorium applies to the provider or supplier appealing the denial. (See 42 CFR 498.5(l)(4)).

IV. Collection of Information Requirements

This document does not impose information collection and recordkeeping requirements. Consequently, it need not be reviewed by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520).

V. Regulatory Impact Statement

A. Statement of Need

This notice is necessary to help reduce the prevalence of Medicare fraud, waste, and abuse among hospices.

B. Overall Impact

We have examined the impacts of this notice as required by E.O. 12866, “Regulatory Planning and Review”; E.O. 13132, “Federalism”; E.O. 13563, “Improving Regulation and Regulatory Review”; E.O. 14192, “Unleashing Prosperity Through Deregulation”; the Regulatory Flexibility Act (RFA), 5 U.S.C. 601 through 612; section 1102(b) of the Social Security Act; and section 202 of the Unfunded Mandates Reform Act of 1995.

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select those regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; and distributive impacts). Based on our analysis, the Office of Information and Regulatory Affairs (OIRA) has determined that this notice is not significant pursuant to

section 3(f)(1) of Executive Order 12866. In accordance with the provisions of Executive Order 12866, this notice was reviewed by the Office of Management and Budget. In accordance with Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (also known as the Congressional Review Act), OIRA has also determined that this notice does not meet the criteria for a major rule as defined in 5 U.S.C. 804(2).

In addition, section 1102(b) of the Act requires us to prepare a regulatory impact analysis if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the RFA provisions at 5 U.S.C. 604. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a metropolitan statistical area and has fewer than 100 beds. This notice is primarily applicable to hospices, not rural hospitals. Therefore, the Secretary has certified that this notice will not have a significant economic impact on the operations of small rural hospitals.

We expect savings to the Medicare program from the reduction in the number of newly enrolling hospices. However, we do not have data upon which to base an estimate of the amount of savings.

C. Regulatory Flexibility Analysis (RFA)

1. Small Business Impact

The RFA requires agencies to analyze options for regulatory relief of small businesses. For purposes of the RFA, small entities include small businesses, nonprofit organization, and small governmental jurisdictions. Most entities and most other providers and suppliers are small entities, either by nonprofit status or by having revenues less than \$19 million to \$41 million in any 1 year. Individuals and States are not included in the definition of a small entity. We do not believe that this hospice moratorium notice will have a significant economic impact on a substantial number of small businesses. Excluding the aforementioned outliers in Arizona, California, Georgia, Nevada, and Texas, between CY 2023 and CY 2025 the combined nationwide number of new enrollments was roughly 500 (166 per year). If we assumed that a similar number would seek to enroll during the moratorium would be prohibited from doing so, this is a miniscule percentage when compared to the well over 2 million providers and suppliers currently enrolled in Medicare; the same would hold true if several hundred hospice practice locations (aside from the main provider)

could not be added by hospice providers. Furthermore—aside from their ability to add new practice locations to their enrollments—the moratorium would not impact the approximately 7,000 currently enrolled hospices, which could continue furnishing services (assuming they remain compliant with all Medicare requirements). Accordingly, very few small businesses will be affected by the moratorium. Even conceding the impact on newly enrolling hospices and prospective hospice practice locations, we believe that the risk that hospice fraud, waste, and abuse poses to the Trust Funds, Medicare beneficiaries, and the taxpayers far exceeds this and thus justifies our measure.

2. Alternatives Considered

There are two principal alternatives we considered in preparing this notice. First, we considered forgoing a moratorium entirely. Yet as already noted, the longstanding fraud, waste, and abuse problems require remedial measures beyond those we presently utilize. Helpful though the latter have been, more is needed. Second, we contemplated limiting the moratorium to the six States currently subject to the previously-mentioned hospice PPEO. However, we reiterate that the problems the moratorium seeks to address are nationwide instead of restricted to particular geographic areas. As we also stated earlier, the transient nature of fraud schemes—as shown in, for instance, the sudden upswing in new hospices in States like Nevada and Georgia—require nationwide proactivity to prevent these schemes from developing in the first place. Third, we contemplated requiring States to implement a hospice moratorium, but, as noted, we believe States are in the best position to determine whether a moratorium is appropriate for their jurisdictions and beneficiary populations.

D. Unfunded Mandates Reform Act (UMRA)

Section 202 of UMRA of 1995 UMRA also requires that agencies assess anticipated costs and benefits before issuing any rule whose mandates require spending in any 1 year of \$100 million in 1995 dollars, updated annually for inflation. In 2026, that threshold is approximately \$193 million. This notice will not impose a mandate that will result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of more than \$193 million in any 1 year. UMRA only applies in situations where an agency

engages in notice-and-comment rulemaking. It does not apply to this notice.

E. State and Local Costs

Executive Order 13132 establishes certain requirements that an agency must meet when it promulgates a proposed regulatory action (and subsequent final action) that imposes substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications. Since this notice does not impose any costs on State or local governments, the requirements of Executive Order 13132 are not applicable.

The Administrator of the Centers for Medicare & Medicaid Services (CMS), Dr. Mehmet Oz, having reviewed and approved this document, authorizes Chyana Woodyard, who is the Federal Register Liaison, to electronically sign this document for purposes of publication in the **Federal Register**.

Chyana Woodyard,

Federal Register Liaison, Centers for Medicare & Medicaid Services.

[FR Doc. 2026-09718 Filed 5-13-26; 8:45 am]

BILLING CODE 4120-01-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[CMS-6101-N]

Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Nationwide Temporary Moratoria on Enrollment of Home Health Agencies (HHAs)

AGENCY: Centers for Medicare & Medicaid Services (CMS), Department of Health and Human Services (HHS).

ACTION: Notice.

SUMMARY: This notice announces the imposition of a 6-month nationwide moratorium on the Medicare enrollment of home health agencies (HHAs).

DATES: This moratorium is effective May 13, 2026.

FOR FURTHER INFORMATION CONTACT: Frank Whelan, (410) 786-1302.

SUPPLEMENTARY INFORMATION:

I. Background

A. CMS' Authority To Impose Temporary Enrollment Moratoria

1. Statutory and Regulatory Background

Under the Patient Protection and Affordable Care Act (Pub. L. 111-148),

as amended by the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) (collectively known as the Affordable Care Act), Congress provided the Secretary with new tools and resources to combat fraud, waste, and abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). One of these was section 6401(a) of the Affordable Care Act, which added a new section 1866(j)(7) to the Social Security Act (the Act). It provided the Secretary with authority to impose a temporary moratorium on the enrollment of new fee for service (FFS) Medicare, Medicaid or CHIP providers and suppliers—including categories of providers and suppliers—if the Secretary determines that a moratorium is necessary to prevent or combat fraud, waste, or abuse under these programs.

Section 6401(b) of the Affordable Care Act added specific moratorium language applicable to Medicaid at section 1902(kk)(4) of the Act, requiring States to comply with any moratorium imposed by the Secretary unless the State determines that the imposition of such moratorium would adversely impact Medicaid beneficiaries' access to care. Section 6401(c) of the Affordable Care Act amended section 2107(e)(1) of the Act to provide that all the Medicaid provisions in sections 1902(a)(77) and 1902(kk) are also applicable to CHIP.

In February 2011, in accordance with the aforementioned authority, CMS published a final rule with comment period titled, "Medicare, Medicaid, and Children's Health Insurance Programs; Additional Screening Requirements, Application Fees, Temporary Enrollment Moratoria, Payment Suspensions and Compliance Plans for Providers and Suppliers" (76 FR 5862). This final rule implemented section 1866(j)(7) of the Act by establishing new regulations at 42 CFR 424.570. Under § 424.570(a)(2)(i) and (iv), CMS—or CMS in consultation with the Department of Health and Human Services Office of Inspector General (HHS-OIG) or the Department of Justice (DOJ) or both—may impose a temporary moratorium on newly enrolling Medicare providers and suppliers if CMS determines that there is a significant potential for fraud, waste, or abuse with respect to a particular provider or supplier type or particular geographic areas or both.

2. Particulars of a Moratorium as Outlined in § 424.570

a. Length

In accordance with § 424.570(b), a temporary enrollment moratorium

imposed by CMS remains in effect for 6 months. If CMS deems it necessary, the moratorium may be extended in 6-month increments. CMS evaluates whether to extend or lift the moratorium before the end of the initial 6-month period and, if applicable, before the expiration of any subsequent moratorium periods. If the moratorium announced in this notice is extended, CMS will publish a document regarding such extension(s) in the **Federal Register**.

b. Cessation

As provided in § 424.570(d), CMS may lift a moratorium at any time if: (1) the President declares an area a disaster under the Robert T. Stafford Disaster Relief and Emergency Assistance Act; (2) circumstances warranting the imposition of a moratorium have abated or CMS has implemented program safeguards to address the program vulnerability; (3) the Secretary has declared a public health emergency; or (4) in the judgment of the Secretary, the moratorium is no longer needed. Once a moratorium is lifted, the provider or supplier types that were unable to enroll because of the moratorium will be assigned to the "high" screening level in accordance with §§ 424.518(c)(3)(iii) and 455.450(e)(2) if such provider or supplier applies for enrollment at any time within 6 months from the date the moratorium was lifted.

c. Circumstances Where Moratorium Is Inapplicable

Under § 424.570(a)(1)(iii), a temporary moratorium does not apply to any of the following:

- Changes in practice location (except if the location is changing from a location outside the moratorium area to a location inside the moratorium area).
- Changes in provider or supplier information, such as phone number or address.
- Changes in ownership (except changes in ownership of HHAs, hospices, and suppliers of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) that would require an initial enrollment).

Also, in accordance with § 424.570(a)(1)(iv), a temporary moratorium does not apply to any enrollment application that has been received by the Medicare contractor prior to the date the moratorium is imposed.

3. Announcement of Moratorium

CMS states at § 424.570(a)(1)(ii) that it will announce a temporary moratorium in a **Federal Register** notice that includes the rationale for its imposition.

The subject notice fulfills that requirement.

B. CMS' Previous Temporary Enrollment Moratoria

We first used our moratorium authority to prevent enrollment of new HHAs, subunits, and branch locations (hereafter collectively referred to as HHAs) in Miami-Dade County, Florida and Cook County, Illinois, as well as surrounding counties, and Part B ambulance suppliers in Harris County, Texas and surrounding counties, in a notice issued on July 31, 2013 (78 FR 46339). We exercised the moratorium authority again in a notice published on February 4, 2014 (79 FR 6475), when we extended the existing moratoria for an additional 6 months and expanded it to include enrollment of HHAs in Broward County, Florida; Dallas County, Texas; Harris County, Texas; and Wayne County, Michigan and surrounding counties, and enrollment of ground ambulance suppliers in Philadelphia, Pennsylvania and surrounding counties. We extended these moratoria for another 6 months on August 1, 2014 (79 FR 44702); February 2, 2015 (80 FR 5551); July 28, 2015 (80 FR 44967); and February 2, 2016 (81 FR 5444).

We again extended these moratoria for another 6 months on August 3, 2016 (81 FR 51120) and also expanded them Statewide with respect to the enrollment of new HHAs in Florida, Illinois, Michigan, and Texas, and Part B non-emergency ambulance suppliers in New Jersey, Pennsylvania, and Texas. In this same notice, though, we announced the lifting of temporary moratoria for all Part B emergency ambulance suppliers.

The original 2013 moratorium, after being extended and revised several times,¹ expired on January 30, 2019.

¹ On January 9, 2017, CMS issued another notice to extend the temporary moratoria for a period of 6 months (82 FR 2363). On January 9, 2017 (82 FR 2363) and July 28, 2017 (82 FR 35122), CMS again issued a notice to extend the temporary moratoria for a period of 6 months. On September 1, 2017, CMS lifted the Statewide temporary moratorium on the enrollment of new Medicare Part B non-emergency ground ambulance suppliers in Texas under the authority of § 424.570(d). This lifting of the moratorium also applied to Medicaid and CHIP in Texas. This decision was a result of the Presidential Disaster Declaration signed on August 25, 2017, for several counties in the State of Texas due to Hurricane Harvey. Upon declaration of the disaster, CMS carefully reviewed the potential impact of continued moratoria in Texas and decided to lift the temporary enrollment moratorium on non-emergency ground ambulance suppliers in Texas in order to aid in the disaster response. CMS published a formal announcement of this decision on November 3, 2017 (82 FR 51274). On January 30, 2018 (83 FR 4147), CMS announced the extension of the temporary moratoria for an additional 6 months. In August 2018, CMS announced the extension of the

However, in the February 27, 2026, **Federal Register** (91 FR 9855), we published a notice announcing a 6-month nationwide enrollment moratorium on DMEPOS medical supply companies.² Said moratorium remains in effect.

C. Determination of the Need for Moratoria

In weighing the need to establish an enrollment moratorium, CMS considers whether a significant risk of fraud, waste, or abuse exists. CMS also relies on its own and law enforcement's longstanding experience with ongoing and emerging fraud trends and activities gained through civil, criminal, and administrative investigations and prosecutions.

1. Law Enforcement

The HHS-OIG has long highlighted and documented the problem of HHA fraud, waste, and abuse. The OIG and DOJ have over the years encouraged and supported strong anti-fraud measures targeting HHAs, and we believe the action announced by this notice is consistent therewith.

2. Data Analysis

In contemplating the present moratorium, we also used data analysis that included reviewing: (1) both current and historic Medicare enrollment data; and (2) indicators of fraud, waste, and abuse. Sections II.A. and B. of this notice discuss our review in more detail.

3. Access to Care

Beneficiary access to care in Medicare, Medicaid and CHIP is of critical importance to CMS and our State partners. In our moratorium determination, we carefully evaluated access to care for Medicare beneficiaries nationwide. We discuss our findings for Medicare beneficiaries in the Beneficiary Access to Care section later in this notice.

II. National HHA Moratorium

Under its authority at § 424.570(a)(2)(i) and (a)(2)(iv), CMS is implementing a nationwide temporary moratorium on the Medicare enrollment of HHAs nationwide. In this section, we explain the rationale for and scope of this moratorium.

temporary moratoria for an additional 6 months. CMS allowed the temporary moratoria to expire on January 30, 2019.

² "Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Nationwide Temporary Moratoria on Enrollment of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies (DMEPOS) Supplier Medical Supply Companies", 91 FR 9855.

A. Longstanding HHA Program Integrity Risks and CMS Efforts To Alleviate Them

As previously alluded to, HHA fraud, waste, and abuse has been a severe problem for over two decades. Based on our experience, low start-up costs and the home-based nature of the services—with little direct supervision of the persons performing them—help make the HHA arena ripe for fraud. Indeed, HHAs have long been among the highest-risk Medicare provider/supplier types in terms of program integrity, with the OIG stating in 2018: "Home health has long been recognized by OIG and CMS as a program area vulnerable to fraud, waste, and abuse."³ To help address this, CMS over the years has established a number of provider enrollment payment safeguards concerning HHAs.

One involves capitalization. Under § 489.28(a), newly enrolling HHAs must have available sufficient funds (known as "initial reserve operating funds") at the time of application submission and at all times during the enrollment process up to the expiration of the 3-month period following enrollment. The purpose is to ensure that the HHA is a viable and financially stable business, for an underfunded entity could skimp on patient care to save money or engage in fraud to improve its finances. HHAs are the only Medicare provider/supplier type that have minimum capitalization requirements as a condition of enrollment; this underscores the uniquely serious fraud, waste, and abuse threat HHAs pose.

Another involves risk designations. All providers/suppliers are assigned to an application screening level under § 424.518 of "limited," "moderate," or "high." Those in the "high" category receive the strictest scrutiny; when initially enrolling in Medicare or undergoing an ownership change, they receive a site visit and must have their 5 percent or greater owners be subject to fingerprinting for a criminal background check. HHAs are one of only six provider/supplier types in the "high" classification.⁴ Especially telling, though, is that HHAs were one of only two types that were assigned to this level in our initial category assignments in 2011.

A third involves changes in majority ownership (CIMO). We found in the mid-2000s that some HHAs were attempting to enter Medicare without

³ <https://oig.hhs.gov/documents/evaluation/2926/OEI-05-16-00510-Complete%20Report.pdf>.

⁴ The others are DMEPOS suppliers, hospices, Medicare diabetes prevention programs, skilled nursing facilities, and opioid treatment programs.

undergoing the required State survey or accreditation. Brokers would enroll an HHA (after the survey or accreditation) with the specific intention of quickly selling it to another party. This allowed the buyer to participate in Medicare with no survey or accreditation of the HHA under its new ownership—hence increasing the possibility of an illegitimate HHA furnishing (and billing for) poor or otherwise non-compliant services to beneficiaries. To help halt such circumvention, we promulgated § 424.550 in 2009. It required an HHA undergoing a CIMO within 36 months of its initial enrollment (or within 36 months of its most recent CIMO) to—unless certain exceptions apply—initially enroll as a new HHA and undergo a State survey or accreditation.

An additional initiative concerned provisional periods of enhanced oversight (PPEO). Section 1866(j)(3) of the Act permits the Secretary to establish a PPEO of between 30 days and 1 year during which new providers or suppliers (including categories thereof) would be subject to enhanced oversight, such as prepayment review and payment caps. Consistent therewith—and in light of the HHA payment safeguard threats we have observed—we implemented a PPEO in 2019 on new HHAs nationwide regarding their requests for anticipated payments (RAPs). Specifically, HHAs would not receive upfront payments prior to the provision of services stemming from their RAPs.⁵ The PPEO expired in 2020, and there presently are no HHA-related PPEOs in effect.

Most pertinent to the current notice and as already mentioned, we also imposed and extended several HHA enrollment moratoria from 2013 through 2019. Although the particular circumstances involving each affected county and State varied somewhat, they all shared a common characteristic: a significant potential for HHA fraud, waste, and abuse. This was reflected in, for instance: (1) an abnormally high number of HHAs vis-à-vis the location's beneficiary population (that is, market oversaturation); and (2) heavy law enforcement activity as reflected in part by criminal convictions of HHA owners and operators.

We believe these and other provider enrollment measures have to some degree helped reduce the amount of HHA fraud, waste, and abuse. These measures also show our ongoing commitment to addressing this dilemma and our recognition of our obligation to

do everything possible to protect Medicare beneficiaries, the Medicare Trust Funds, and the American taxpayers.

B. Continued Problems in the HHA Sphere

Despite all these initiatives, HHA program integrity risks are still among the highest of any provider/supplier type. Our actions might have lessened the degree of HHA fraud, waste, and abuse, but certainly not to the extent that CMS need no longer undertake additional initiatives. It should not be assumed that the expiration of the prior HHA moratoria and PPEO signified a massive reduction in the scope of the HHA risk. As the examples below demonstrate, hundreds of millions of taxpayer dollars remain under threat from fraudulent parties, and we must always consider further means of addressing this continuing problem, particularly as new threats arise.

One such threat involves the Los Angeles region, which has seen unusual and highly disturbing trends in HHA enrollment. CMS data indicates that the number of HHAs in Los Angeles County between 2019 and 2023 rose more than 40 percent. Well over 1,000 new HHAs have enrolled in the county since 2019, and the county currently has roughly 12–15 percent of all HHAs nationwide—*notwithstanding* the fact that the county's Medicare beneficiary population has not drastically changed over the past 7 years and represents roughly 3 percent of the total nationwide beneficiary community. There is no evidence of medical need or other justification for this sudden, overwhelming increase, and we believe this requires much closer scrutiny of potentially fraudulent HHA activity. Others share our concerns about this, including MedPAC, members of Congress, and even several national HHA organizations—with some having urged CMS to take additional measures to stem HHA fraud throughout Los Angeles County.⁶ Concerning trends in HHA enrollment are not restricted to Los Angeles County. For instance, CMS

has recently detected several situations in Ohio where numerous HHAs are operating out of a single, common practice location. In fact, we have uncovered at least nine cases in Ohio where at least five HHAs have the same practice location address; four of these nine situations involve at least nine HHAs in one location, with one location having 18 HHAs. Similar situations have been seen in Texas, Michigan, North Carolina, and Nevada.

There have also been a considerable number of criminal convictions and other findings over the last several years involving home health fraud. These included, but were not limited to, the following:

- The owner of a Pennsylvania home care agency was sentenced to prison in June 2025 and ordered to pay over \$235,000 in restitution. The provider had been reimbursed by Medicaid for services that were not provided and for claims containing false representations. The investigation revealed that some of the submitted claims pertained to: (1) patients who never signed up for or received care from the provider; or (2) employees who were not aware that the owner had submitted false claims for hours they allegedly worked.⁷

- Two Illinois home health care company owners were sentenced to prison in September 2022 and ordered to pay more than \$8 million as part of a home health care fraud scheme. According to court documents, the two owned and operated three home health companies in Illinois and Indiana. From approximately January 2009 to June 2018, the pair secretly paid bribes and kickbacks to patient marketers in exchange for referring Medicare beneficiaries to the companies. One of the two maintained relationships with marketers and signed sham contracts with patient marketers on behalf of the companies, while the other facilitated kickback payments to marketers by writing checks to himself and agency employees; the latter would then convert the checks to cash that was used to pay kickbacks to marketers. Also, the former individual caused fraudulent claims to be submitted to Medicare for home health services that falsely represented that she, as a registered nurse, performed assessments of patients on dates when she was out of the country.⁸ According to the

⁶ <https://www.medpac.gov/wp-content/uploads/2025/12/Tab-H-HHA-update-Dec-2025.pdf>; Letter from United States House Representatives Brett Guthrie, John Joyce, M.D., Morgan Griffith, Jason Smith, David Schweikert, and Vern Buchanan to T. March Bell, Inspector General, HHS-OIG, January 9, 2026; <https://energycommerce.house.gov/posts/chairmen-guthrie-joyce-griffith-smith-schweikert-and-buchanan-ask-hhs-oig-about-ongoing-hha-and-hospice-fraud-in-los-angeles-county-1>. Letter from LeadingAge and the National Alliance for Care at Home Letter to Dr. Mehmet Oz, CMS Administrator, December 22, 2025; <https://allianceforcareathome.org/wp-content/uploads/Final-Alliance-and-LeadingAge-Home-Health-and-Hospice-Program-Integrity-Recommendations.pdf>.

⁷ <https://www.attorneygeneral.gov/taking-action/owner-of-berks-county-home-care-agency-sentenced-to-prison-ordered-to-pay-more-than-235k-in-restitution-after-pleading-guilty-to-medicare-fraud-scheme/>.

⁸ <https://www.justice.gov/archives/opa/pr/home-health-care-company-owners-sentenced-67-million-health-care-fraud>.

⁵ CMS eliminated the use of RAPs for HHAs; beginning January 1, 2022, CMS replaced RAP submissions with a Notice of Admission.

Department of Justice: “[I]t was the practice of the [pair’s] companies to admit, discharge, and re-certify certain patients repeatedly, regardless of their medical conditions.”⁹

- A part-owner of a Massachusetts home health provider in January 2025 was sentenced in Federal court to 12 years in prison and ordered to pay almost \$100 million in restitution for her role in a home health care fraud scheme. (A co-defendant, who was a nurse at the home health agency, had previously been sentenced to prison for her involvement in the scheme.)¹⁰ According to the indictment for the co-defendant, the provider—through the part-owner, the nurse, and others—billed for home health services that were (1) never provided; (2) not medically necessary; or (3) not authorized. The part-owner and others also developed employment relationships to pay kickbacks for patient referrals and disregarded medical necessity requirements. In addition, they allegedly entered sham employment relationships with patients’ family members to provide home health aide services that were not medically necessary and routinely billed for fictitious visits that did not occur. As alleged in the civil complaint, the part-owner—either directly or through the home health company—“targeted particularly vulnerable patients who were low-income, on disability and/or suffering from depression and/or addiction.”¹¹ The United States attorney for the case added that the part-owner, “used the stolen money to fund her lavish lifestyle, showing a callous disregard for those who were in dire need of care and assistance. Her actions not only defrauded taxpayers but also compromised the integrity of essential home health care services. The significant prison term imposed today reflects the seriousness of her crimes and the harm she caused to patients, providers, and the public.”¹²

- A home health care owner was sentenced in April 2025 to 42 months in prison for committing Medicaid fraud and was ordered to pay \$5.7 million in restitution to Medicaid. According to court documents and trial testimony, the defendant owned and operated three home health care businesses in Ohio. She lived in California for the majority

of the time she owned the businesses, and despite not being involved in the businesses’ daily operations, she did all the Medicaid billing for nursing services. In doing so, she: (1) inflated the hours of services provided; (2) billed for registered nurses when licensed practical nurses completed the care; and (3) billed for care for patients who were either deceased or ineligible to receive Medicaid.¹³

- The State of Massachusetts in December 2020 reached a \$10 million settlement with a Massachusetts-based home health care company and its owner to resolve allegations that they falsely billed the State’s Medicaid program for unauthorized services. According to the State’s Attorney General, the State since 2016 had returned “more than \$40 million to [the State’s Medicaid program] by going after fraud in the home health industry.”¹⁴

- A San Francisco Bay Area doctor was convicted in Federal court in November 2023 of charges that included: (1) accepting kickbacks for patient referrals to HHAs; (2) health care fraud; and (3) false statements relating to a health care matter. One of the schemes the physician engaged in involved referring patients to an HHA in exchange for illegal kickback payments. Regarding the HHA itself, employees thereof and the chief executive officer (CEO) conspired to pay the physician regular and recurring amounts to ensure that he referred Medicare patients to the HHA. The CEO pled guilty to charges of conspiracy to pay kickbacks for the referrals of Medicare beneficiaries on August 5, 2022.¹⁵

- In November 2024, a Michigan HHA owner and operator was sentenced to prison for his role in a health care fraud conspiracy that resulted in almost \$7.9 million in false and fraudulent claims for home health care services paid by Medicare. According to court documents, the individual—together with three doctors and two other home health care company owners—offered kickbacks, bribes, and other inducements to beneficiary recruiters in exchange for Medicare beneficiary information. They then used this information to bill Medicare for services

that were medically unnecessary and not provided.¹⁶

- A New Hampshire man pleaded guilty in July 2021 to two counts of Medicaid fraud. The individual owned a company licensed to provide in-home personal care services to Medicaid beneficiaries. He submitted claims for reimbursement for such services that: (1) were never actually provided; and (2) included periods when the company’s patients were not at home but instead were in hospitals or nursing homes.¹⁷

- A Texas man in August 2025 was sentenced to 75 months in Federal prison for leading a Medicare fraud scheme. The individual owned and operated an HHA. He or others at his direction forged signatures of doctors and nurses; specifically, they cut out old signatures and taped them onto newly created doctors’ orders, nursing notes, and nursing assessments. The defendant submitted these falsified documents in response to a request for records from Medicare. He also: (1) continued using the signature of a nurse who had departed the HHA on nursing notes and assessments; (2) per witness testimony, bribed a doctor in exchange for approving home health services; and (3) billed Medicare for over \$400,000 in HHA claims but did not maintain the documentation for many of them and later falsified records to support the claims.¹⁸

- A Michigan man was convicted in September 2023 for orchestrating a \$2.8 million health care fraud and wire fraud conspiracy, and engaging in money laundering, aggravated identity theft, and witness tampering. Despite being excluded from billing Medicare, the individual purchased an HHA using the names, signatures, and personal identifying information of others to conceal his ownership of the company. In a 2-month period, he and his co-conspirators billed and were paid nearly \$2.8 million by Medicare for services that were never provided. He then transferred these funds through bank accounts belonging to shell corporations and eventually into his accounts in another country. Too, on the eve of trial—and using a pseudonym—he wrote false and malicious emails to various federal government agencies alleging a government witness had

⁹ Ibid.

¹⁰ <https://www.justice.gov/usao-ma/pr/operator-home-health-care-company-sentenced-12-years-prison-multimillion-dollar-health>; <https://www.justice.gov/usao-ma/pr/lowell-nurse-pleads-guilty-100-million-home-health-care-fraud-and-kickback-scheme>

¹¹ Ibid.

¹² Ibid.

¹³ <https://www.justice.gov/usao-sdoh/pr/home-health-care-companies-owner-sentenced-more-3-years-prison-57-million-medicare>.

¹⁴ <https://www.mass.gov/news/ag-healey-secures-10-million-from-home-health-care-company-that-falsely-billed-masshealth>.

¹⁵ <https://www.justice.gov/usao-ndca/pr/bay-area-doctor-convicted-health-care-fraud-and-kickback-scheme-referrals-medicare>.

¹⁶ <https://www.justice.gov/archives/opa/pr/international-fugitive-home-health-care-owner-sentenced-fraudulently-billing-medicare>.

¹⁷ <https://oig.hhs.gov/fraud/enforcement/home-care-company-owner-pleads-guilty-to-medicare-fraud-agrees-to-pay-1000000-restitution/>.

¹⁸ <https://www.justice.gov/usao-sdtx/pr/home-health-agency-owner-sentenced-more-six-years-medicare-fraud-and-identity-theft>.

committed various crimes and should not be allowed to remain in the United States in an attempt to keep the witness from testifying.¹⁹

- An Oklahoma-based home health provider in January 2026 agreed to pay \$34 million to resolve its civil liability under the False Claims Act for billing medically unnecessary home health claims to Medicare and providing financial benefits to physicians in exchange for referrals.²⁰

- In another Oklahoma case in October 2022, an Oklahoma-based home health provider, its affiliates, and their president and chief operations officer agreed to pay nearly \$7.2 million to resolve allegations that they violated the False Claims Act by billing the Medicare program for medically unnecessary therapy provided to patients in Florida. Specifically, the home health provider allegedly billed the Medicare program knowingly and improperly for home healthcare to patients in Florida based on therapy provided without regard to medical necessity and overbilled for therapy by upcoding patients' diagnoses.²¹

C. Assessment of the Data

The foregoing information plainly shows a significant potential for fraud, waste or abuse with respect to HHAs nationwide. Several other observations can be made about this data.

First, while Los Angeles County has been the focus of much recent attention regarding HHA fraud, this does not mean an HHA enrollment moratorium should be limited to that area. HHA fraud can and does happen in numerous geographic regions—even those that might not be traditionally considered very high risk, such as Massachusetts, Ohio, and Oklahoma. Indeed, quick and dramatic spikes in fraud can occur anywhere and at any time. Los Angeles County, for instance, had not been included in any of our previous HHA moratoria because the risk that existed there between 2013 and 2019 was deemed less than that posed by HHAs in other areas like Houston and the South Florida region. Yet a rapid, unexpected, and very substantial increase in the number of HHAs occurred in said county. Too, the aforementioned Ohio situation involving dozens of HHAs took place

suddenly in the Columbus region, which had never before been a major hotspot for HHA fraud. The point is that the Los Angeles County situation—rather than militating against a nationwide moratorium—in our view bolsters the case for it, for fraud schemes can be highly migratory. As we stated in a previous HHA moratorium notice: “The HHS–OIG and CMS have learned that some fraud schemes are viral, meaning they replicate rapidly within communities, and that health care fraud also migrates—as law enforcement cracks down on a particular scheme, the criminals may redesign the scheme or relocate to a new geographic area.”²² With a nationwide HHA moratorium, though, prospective HHA enrollees seeking to defraud Medicare would have no new geographic area to which to migrate. Likewise, a national moratorium would prevent situations we saw during our prior HHA moratoria where HHAs—attempting to circumvent the moratorium—opened immediately outside the moratorium area and furnished services to beneficiaries within it.

Second, and in a similar vein, the fact that some of the home health fraud is occurring strictly in Medicaid (as shown in several of the previously noted cases) does not diminish the need for a Medicare moratorium. To the contrary, it shows that such fraud takes place across different Federal and State programs. It is the fraud activity itself and its widespread nature—not the specific health care program in which it happens—that is the critical consideration when establishing anti-fraud measures. This is particularly true given that many HHAs are enrolled in both Medicaid and Medicare, meaning behavior in one program could be repeated in another.

Third, we recognize that the overall nationwide number of non-California enrolled HHAs has decreased somewhat in recent years. On the surface at least, this might weigh against a moratorium, since the problem of large numbers of new enrollments is not present outside of Los Angeles County. However, we reiterate that the principal test under § 424.570 for a moratorium is whether a “significant potential for fraud, waste, or abuse” exists. Although a dramatic spike in enrollments is often indicative of potential fraud, it is not a prerequisite for it. Other data can also show this

potential. For example, the aforementioned criminal and other cases and the clusters of co-located HHAs reveal that home health fraud is taking place even in areas that have seen reductions in the number of enrolled HHAs, such as Michigan and Texas.²³ Accordingly, we do not believe that the HHA decrease outside of California obviates the need for a moratorium.

CMS must be aggressive in halting fraud before it begins; proactivity is a far better anti-fraud approach than a reactive, “pay-and-chase” one. We found our previous HHA moratoria beneficial in this regard, which is largely why we extended and expanded them over a 5-year period. The HHA moratoria's lapse in 2019 did not signify a lack of their success but instead our view that it had achieved the desired goal of keeping potentially fraudulent parties in certain areas from enrolling in Medicare. However, given the serious problems in Los Angeles County and elsewhere, we believe that our current HHA anti-fraud measures have not by themselves dramatically reduced HHA fraud. HHA program integrity requires a holistic effort on our part. We cannot impose only one measure at a time and then wait indefinitely to see if it works before attempting another. Such has been the magnitude of HHA fraud for so long that more measures are needed to supplement our existing ones—and we believe that by applying an HHA moratorium nationwide, we could experience the success of our prior localized moratoria on a much broader geographic scale.

D. Moratorium Determination and Scope

In light of the foregoing concerns, and pursuant to our consultation with OIG, CMS has concluded that HHAs present significant potential for fraud, waste or abuse. To prevent potentially fraudulent HHAs from enrolling in Medicare, we have determined to impose a nationwide moratorium on the enrollment of all HHAs. Beginning on the effective date of this notice, no new HHAs or HHA branches or practice locations will be enrolled into Medicare unless the HHA's enrollment application was received by the applicable Medicare contractor prior to this notice's effective date. Geographically, the moratorium applies to HHAs seeking to enroll anywhere in the United States, including all States, territories, and the District of Columbia.

¹⁹ <https://www.justice.gov/archives/opa/pr/owner-home-health-company-convicted-28m-medicare-fraud-scheme>.

²⁰ <https://www.justice.gov/opa/pr/traditions-health-agrees-pay-34m-resolve-false-claims-act-liability-relating-home-health>.

²¹ <https://www.justice.gov/archives/opa/pr/carter-healthcare-affiliates-and-two-senior-managers-pay-7175-million-resolve-false-claims>.

²² “Medicare, Medicaid, and Children's Health Insurance Programs: Announcement of Temporary Moratoria on Enrollment of Ambulances Suppliers and Providers and Home Health Agencies in Designated Geographic Areas,” July 31, 2013 (78 FR 46339).

²³ Between 2019 and 2025, the number of enrolled HHAs in Michigan dropped from 485 to 361 (over 25 percent) and from 2,269 to 1,893 in Texas (roughly 17 percent).

As previously mentioned, our prior HHA moratoria included the establishment of HHA subunits and branches. In 2013, a “subunit” of an HHA, like the HHA itself, was required under 42 CFR part 484 to independently meet the HHA conditions of participation (CoPs) in 42 CFR part 484, sign a separate provider agreement, and separately enroll in Medicare; the only material distinction between an independent HHA and a subunit was that they could share the same governing body, administrator, and group of professional personnel.²⁴ Considering CMS’ conclusion that the requirement for a subunit to independently meet the CoPs rendered said distinction moot, CMS ended the “subunit” designation in 2018.²⁵ Subunits are accordingly not part of the present moratorium. An HHA “branch office,” meanwhile, is defined in 42 CFR 484.2 as an approved location or site from which an HHA provides services within a portion of the total geographic area served by the parent HHA—the parent providing supervision and administrative control of the branch. The branch need not independently meet the HHA CoPs. For purposes of provider enrollment, CMS has always considered an HHA branch to be a practice location of the HHA. It is therefore an integral part of the HHA and its operations, which is partly why we included branches within the previous moratoria and do so in the present one. More basically, § 424.570(a)(1)(i) is clear that a moratorium can apply to “the establishment of new practice locations,” which, again, new HHA branches are.

We also note § 424.550(b), which, as already mentioned, requires an HHA undergoing a non-exempt CIMO within 36 months of its initial enrollment (or within 36 months of its most recent CIMO) to enroll in Medicare as a brand new HHA and undergo a State survey or accreditation. The HHA’s current enrollment and provider agreement are terminated in these situations. This means that the HHA’s new enrollment is an initial enrollment no less than if the HHA had never enrolled in Medicare before. Hence, our moratorium would prohibit an HHA undergoing a non-exempt CIMO from reenrolling in Medicare because, again, it would constitute an initial enrollment; the HHA is “new”.

²⁴ See the proposed rule titled “Medicare and Medicaid Program: Conditions of Participation for Home Health Agencies”, published in the **Federal Register** on October 9, 2014 (79 FR 61164 and 61167).

²⁵ *Ibid.*

E. Applicability to Medicaid and CHIP

As already mentioned, section 1866(j)(7) of the Act authorizes imposition of a temporary enrollment moratorium for Medicare, Medicaid or CHIP if the Secretary determines such moratorium is necessary to prevent or combat fraud, waste, or abuse. The Secretary is not required to impose a particular moratorium on all three programs but may do so on any combination of the three programs or one program alone.²⁶

At this time, we believe it is in Medicaid and CHIP beneficiaries’ best interests to allow each State to decide whether some form of a home health provider moratorium is appropriate for their respective Medicaid and CHIP programs, and the scope of any such moratorium. Each State has greater expertise and experience with their pool of home health provider types—including the requirements for each type of home health provider—than CMS. Nevertheless, CMS encourages each State to, as appropriate, implement a home health provider moratorium tailored to the specifics of their beneficiary population as well as any geographic considerations (in accordance with 42 CFR 455.470(b)). Additionally, CMS is offering every State and territory the opportunity to consult with CMS on the prospect of implementing a Medicaid- or CHIP-based (or both) home health moratorium in their jurisdictions.

F. Beneficiary Access to Care

Although there has been a slight decline in the number of Medicare-enrolled non-California HHAs since 2019, there remain over 11,500 HHAs nationwide. We have not seen evidence of a present nationwide shortage of HHAs or of access-to-care issues for beneficiaries in Medicare either nationally, in particular geographic areas, or rural regions. We are also not aware of similar concerns in Medicaid

²⁶ The February 2, 2011, final rule also established new Medicaid regulations at 42 CFR part 455, subpart E, including § 455.470, which implements the moratoria authority under section 1902(kk)(4) of the Act. Likewise, that final rule implemented § 457.990, providing that part 455, subpart E applies to CHIP in the same manner as it applies to Medicaid. Under § 455.470(a)(1) through (3), the Secretary may impose a temporary moratorium, in accordance with § 424.570, on the enrollment of new providers or provider types after consulting with any affected State Medicaid agencies. The State Medicaid agency will impose a temporary moratorium on the enrollment of new providers or provider types identified by the Secretary as posing an increased risk to the Medicaid program unless the State determines that the imposition of a moratorium would adversely affect Medicaid beneficiaries’ access to medical assistance and so notifies the Secretary in writing.

or CHIP. We therefore do not believe that a national moratorium will threaten beneficiaries’ ability to receive home health services in any of these programs. However, we will monitor this matter for any access issues—including in rural areas—that arise.

III. No Judicial Review of CMS’s Decision To Impose an Enrollment Moratorium

In accordance with section 1866(j)(7)(B) of the Act, there is no judicial review under sections 1869 and 1878 of the Act, or otherwise, of the decision to impose a temporary enrollment moratorium. Under §§ 424.530(a)(10) and 424.570(c), CMS denies the enrollment application of a provider or supplier if the provider or supplier is subject to a moratorium. In addition, § 424.514(d)(2)(v)(C) states that if the provider or supplier was required to pay an application fee, the application fee will be refunded if the application was denied because of the imposition of a temporary moratorium.

A provider or supplier that is impacted by a moratorium may use the existing appeal procedures at 42 CFR part 498 to administratively appeal a denial of billing privileges based on the imposition of a temporary moratorium. The scope of any such appeal, though, would be limited solely to assessing whether the temporary moratorium applies to the provider or supplier appealing the denial (see 42 CFR 498.5(l)(4)).

IV. Collection of Information Requirements

This document does not impose information collection and recordkeeping requirements. Consequently, it need not be reviewed by the Office of Management and Budget under the authority of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520).

V. Regulatory Impact Statement

A. Statement of Need

This notice is necessary to help reduce the prevalence of Medicare fraud, waste, and abuse among HHAs.

B. Overall Impact

We have examined the impacts of this notice as required by E.O. 12866, “Regulatory Planning and Review”; E.O. 13132, “Federalism”; E.O. 13563, “Improving Regulation and Regulatory Review”; E.O. 14192, “Unleashing Prosperity Through Deregulation”; and the Regulatory Flexibility Act (RFA), 5 U.S.C. 601 through 612; section 1102(b) of the Social Security Act; and section

202 of the Unfunded Mandates Reform Act of 1995.

Executive Orders 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select those regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; and distributive impacts). Section 3(f) of Executive Order 12866 defines a “significant regulatory action” as any regulatory action that is likely to result in a rule that may: (1) have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities; (2) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency; (3) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or (4) raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the Executive Order itself.

An RIA must be prepared for a regulatory action that is significant under section 3(f)(1) of Executive Order 12866. Based on our analysis, the Office of Information and Regulatory Affairs (OIRA) has determined that this notice is not significant pursuant to section 3(f)(1) of Executive Order 12866. In accordance with Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996 (also known as the Congressional Review Act), OIRA has also determined that this notice does not meet the criteria for a major rule as defined in 5 U.S.C. 804(2). Accordingly, we have not prepared a regulatory impact analysis.

In addition, section 1102(b) of the Act requires us to prepare an RIA if a rule may have a significant impact on the operations of a substantial number of small rural hospitals. This analysis must conform to the RFA provisions at 5 U.S.C. 604. For purposes of section 1102(b) of the Act, we define a small rural hospital as a hospital that is located outside of a metropolitan statistical area and has fewer than 100 beds. This notice is primarily applicable to HHAs suppliers, not rural hospitals. Therefore, the Secretary has certified that this notice will not have a significant economic impact on the operations of small rural hospitals.

We note that we expect savings to the Medicare program from the reduction in the number of newly enrolling HHAs.

However, we do not have data upon which to base an estimate of the amount of savings.

C. Regulatory Flexibility Analysis (RFA)

1. Small Business Impact

The RFA requires agencies to analyze options for regulatory relief of small businesses. For purposes of the RFA, small entities include small businesses, nonprofit organization, and small governmental jurisdictions. Most entities and most other providers and suppliers are small entities, either by nonprofit status or by having revenues less than \$19 million to \$41 million in any 1 year. Individuals and States are not included in the definition of a small entity.

We do not believe that this HHA moratorium notice will have a significant economic impact on a substantial number of small businesses. Between 2023 and today in States other than California, the combined annual number of newly enrolling HHA has generally been less than 400 (or an average of roughly 150 to 200 over a 6-month period). If we assumed that a roughly similar number would seek to enroll during the moratorium but would be prohibited from doing so, this is a miniscule percentage when compared to the well over 2 million providers and suppliers currently enrolled in Medicare. The same would hold true if several hundred HHA branches could not be added as practice locations during the moratorium. Moreover—and excluding their ability to add branches to their enrollments—the moratorium would not impact the roughly 11,500 currently enrolled HHAs, which could continue furnishing services (assuming they remain compliant with all Medicare requirements). Accordingly, we expect few small businesses to be affected by the moratorium. Even conceding the impact on newly enrolling HHAs and prospective HHA branches, we believe that the risk that HHA fraud, waste, and abuse poses to the Trust Funds, Medicare beneficiaries, and the taxpayers far exceeds this and thus justifies our measure.

2. Alternatives Considered

There are two principal alternatives we considered in preparing this notice. First, we considered forgoing a moratorium entirely. Yet as already mentioned, the longstanding fraud, waste, and abuse problems require fraud, waste, and abuse prevention measures beyond those described earlier in this notice, such as capitalization requirements. Helpful though the latter have been, more is needed. Second, we

contemplated limiting the moratorium to southern California. We believe, though, that the problems the moratorium seeks to address are nationwide rather than restricted to particular geographic areas. As we also stated earlier, the transient nature of fraud schemes—as shown in, for instance, the sudden upswing in new HHAs in Los Angeles County and the tens of HHAs in Ohio operating out of single site—require nationwide (rather than localized) proactivity to prevent these schemes from developing in the first place. Third, we contemplated requiring States to implement an HHA moratorium, but, as noted, we believe States are in the best position to determine whether a moratorium is appropriate for their jurisdictions and beneficiary populations.

D. Unfunded Mandates Reform Act (UMRA)

Section 202 of UMRA of 1995 UMRA also requires that agencies assess anticipated costs and benefits before issuing any rule whose mandates require spending in any 1 year of \$100 million in 1995 dollars, updated annually for inflation. In 2026, that threshold is approximately \$193 million. This notice will not impose a mandate that will result in the expenditure by State, local, and Tribal governments, in the aggregate, or by the private sector, of more than \$193 million in any 1 year. UMRA only applies in situations where an agency engages in notice-and-comment rulemaking. It does not apply to this notice.

E. State and Local Costs

Executive Order 13132 establishes certain requirements that an agency must meet when it promulgates a proposed regulatory action (and subsequent final action) that imposes substantial direct requirement costs on State and local governments, preempts State law, or otherwise has Federalism implications. Since this notice does not impose any costs on State or local governments, the requirements of Executive Order 13132 are not applicable.

In accordance with the provisions of Executive Order 12866, this notice was reviewed by the Office of Management and Budget.

The Administrator of the Centers for Medicare & Medicaid Services (CMS), Dr. Mehmet Oz, having reviewed and approved this document, authorizes Chyana Woodyard, who is the Federal Register Liaison, to electronically sign

this document for purposes of publication in the **Federal Register**.

Chyana Woodyard,
Federal Register Liaison, Centers for Medicare
& Medicaid Services.

[FR Doc. 2026-09717 Filed 5-13-26; 8:45 am]

BILLING CODE 4120-01-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

[Document Identifier: CMS-10704]

Agency Information Collection Activities: Proposed Collection; Comment Request

AGENCY: Centers for Medicare & Medicaid Services, Health and Human Services (HHS).

ACTION: Notice.

SUMMARY: The Centers for Medicare & Medicaid Services (CMS) is announcing an opportunity for the public to comment on CMS' intention to collect information from the public. Under the Paperwork Reduction Act of 1995 (PRA), federal agencies are required to publish notice in the **Federal Register** concerning each proposed collection of information (including each proposed extension or reinstatement of an existing collection of information) and to allow 60 days for public comment on the proposed action. Interested persons are invited to send comments regarding our burden estimates or any other aspect of this collection of information, including the necessity and utility of the proposed information collection for the proper performance of the agency's functions, the accuracy of the estimated burden, ways to enhance the quality, utility, and clarity of the information to be collected, and the use of automated collection techniques or other forms of information technology to minimize the information collection burden.

DATES: Comments must be received by July 14, 2026.

ADDRESSES: When commenting, please reference the document identifier or OMB control number. To be assured consideration, comments and recommendations must be submitted in any one of the following ways:

1. *Electronically.* You may send your comments electronically to <http://www.regulations.gov>. Follow the instructions for "Comment or Submission" or "More Search Options" to find the information collection document(s) that are accepting comments.

2. By *regular mail.* You may mail written comments to the following address: CMS, Office of Strategic Operations and Regulatory Affairs, Division of Regulations Development, Attention: Document Identifier: __/OMB Control Number: __, Room C4-26-05, 7500 Security Boulevard, Baltimore, Maryland, 21244-1850.

To obtain copies of a supporting statement and any related forms for the proposed collection(s) summarized in this notice, please access the CMS PRA website by copying and pasting the following web address into your web browser: <https://www.cms.gov/Regulations-and-Guidance/Legislation/PaperworkReductionActof1995/PRA-Listing>.

FOR FURTHER INFORMATION CONTACT: William N. Parham at (410) 786-4669.

SUPPLEMENTARY INFORMATION:

Contents

This notice sets out a summary of the use and burden associated with the following information collections. More detailed information can be found in each collection's supporting statement and associated materials (see

ADDRESSES).

Under the PRA (44 U.S.C. 3501-3520), federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. The term "collection of information" is defined in 44 U.S.C. 3502(3) and 5 CFR 1320.3(c) and includes agency requests or requirements that members of the public submit reports, keep records, or provide information to a third party. Section 3506(c)(2)(A) of the PRA requires federal agencies to publish a 60-day notice in the **Federal Register** concerning each proposed collection of information, including each proposed extension or reinstatement of an existing collection of information, before submitting the collection to OMB for approval. To comply with this requirement, CMS is publishing this notice.

Information Collection

1. *Type of Information Collection Request:* Extension of a currently approved collection; *Title of Information Collection:* Health Reimbursement Arrangements and Other Account-Based Group Health Plans; *Use:* On June 20, 2019, the Department of the Treasury, the Department of Labor, and the Department of Health and Human Services (HHS) (collectively, the Departments) issued final regulations, titled "Health Reimbursement

Arrangements and Other Account-Based Group Health Plans" (84 FR 28888) (2019 final regulations) under section 2711 of the PHS Act and the health nondiscrimination provisions of HIPAA, Public Law 104-191 (HIPAA nondiscrimination provisions). The 2019 final regulations expanded the use of health reimbursement arrangements and other account-based group health plans (collectively referred to as HRAs) and recognized certain HRAs as limited excepted benefits (the excepted benefit HRA), for plan years beginning on or after January 1, 2020. In general, the 2019 final regulations expanded the use of HRAs by eliminating the prohibition on integrating HRAs with individual health insurance coverage, thereby permitting employers to offer individual coverage HRAs to employees that can be integrated with individual health insurance coverage or Medicare Parts A and B, or Part C. Under the 2019 final regulations, employees are permitted to use amounts in an individual coverage HRA to pay expenses for medical care (including premiums for individual health insurance coverage and Medicare), subject to certain requirements.

The information collections associated with the 2019 final regulations are related to the substantiation requirements for individual coverage HRAs (45 CFR 146.123(c)(5)), the notice requirement for individual coverage HRAs (45 CFR 146.123(c)(6)), and notification of termination of coverage (45 CFR 146.123(c)(1)(iii)). Under final regulations issued by HHS on May 14, 2020, titled "Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2021; Notice Requirement for Non-federal Governmental Plans" (85 FR 29164), under 45 CFR 146.145(b)(3)(viii)(E), excepted benefit HRAs offered by non-Federal governmental plan sponsors are required to provide a notice that describes conditions pertaining to eligibility to receive benefits, annual or lifetime caps or other limits on benefits under the excepted benefit HRA, and a description or summary of the benefits. This notice must be provided no later than 90 days after the employee becomes a participant in the excepted benefit HRA and annually thereafter. *Form Number:* CMS-10704 (OMB Control Number 0938-1361); *Frequency:* Annually; *Affected Public:* State, Local or Tribal governments; *Number of Respondents:* 6,354; *Total Annual Responses:* 1,347,048; *Total Annual Hours:* 3,136. (For policy questions

regarding this collection contact Adam Pellillo at (667) 290–9621.)

William N. Parham, III,
Director, Division of Information Collections and Regulatory Impact Analysis, Office of Strategic Operations and Regulatory Affairs.
[FR Doc. 2026–09747 Filed 5–14–26; 8:45 am]
BILLING CODE 4120–01–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families
[Office of Management and Budget #: 0970–0473]

Submission for Office of Management and Budget Review; Child Care and Development Fund (CCDF) Consumer Education Website and Reports of Serious Injuries and Death

AGENCY: Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services.
ACTION: Request for public comments.

SUMMARY: The Office of Child Care, Administration for Children and Families (ACF), U.S. Department of Health and Human Services, is requesting a 3-year extension of the Child Care and Development Fund (CCDF) Consumer Education website and Reports of Serious Injuries and Death (Office of Management and

Budget)#: 0970–0473, expiration date: May 31, 2026). There are no changes requested to the reporting requirements. Burden estimates have been adjusted.

DATES: *Comments due* June 15, 2026.
ADDRESSES: The public may view and comment on this information collection request at: https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202605-0970-003. You can also obtain copies of the proposed collection of information by emailing infocollection@acf.hhs.gov. Identify all emailed requests by the title of the information collection.

SUPPLEMENTARY INFORMATION:
Description: The existing *Consumer Education Website reporting requirement* will not be modified and requires states and territories to include information about state or territory policies (related to licensing, monitoring, and background checks) and provider-specific information, including results of monitoring and inspection reports, and if available, information about quality. The existing *Reporting of Serious Injuries and Death reporting requirement* will not be modified. CCDF lead agencies must establish procedures that require child care providers that care for children receiving CCDF subsidies to report to a designated state, territorial, or tribal entity any serious injuries or deaths of children occurring in child care. There are no standard federal forms associated with these reporting requirements.

Respondents: The *Consumer Education Website* requirement applies to the 50 states, the District of Columbia, and 5 territories that receive CCDF grants. *Reporting of Serious Injuries and Death* is a requirement for child care providers receiving CCDF subsidies within states, territories, and tribes.

Annual Burden Estimates

The *burden estimates for the consumer education website* requirement at § 98.33 have been reduced based on analysis of the federal fiscal year 2025–2027 CCDF State and Territory Plans. Eighteen out of 56 lead agencies are non-compliant on requirements related to their consumer education websites and would incur burden under this renewal, while the remaining grantees have demonstrated compliance and would experience minimal burden for ongoing maintenance to their consumer education websites. Accordingly, the burden hours for those 38 lead agencies only needing ongoing maintenance has been reduced from 300 to 50 average hours, resulting in an overall reduction of approximately 57 percent in total annual burden hours compared to the previously approved version. The *burden estimates for reporting serious injuries and deaths* at § 98.42 remain unchanged, as the burden is limited to provider reporting when a reportable event occurs. States and territories have flexibility in how they structure the provider reporting.

Instrument	Total number of respondents	Annual number of responses per respondent	Average burden hours per response	Annual burden hours
Consumer Education Website Development and Maintenance	18	1	300	5,400
Consumer Education Website Maintenance	38	1	50	1,900
Reporting of Serious Injuries and Death	10,000	1	1	10,000
Estimated Total Annual Burden Hours				17,300

(Authority: Pub. L. 113–186; 42 U.S.C. 9858 *et seq.*)
Mary C. Jones,
ACF/OPRE Certifying Officer.
[FR Doc. 2026–09749 Filed 5–14–26; 8:45 am]
BILLING CODE 4184–43–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Food and Drug Administration
[Docket No. FDA–2025–N–0421]

Oscar Bobo: Final Debarment Order
AGENCY: Food and Drug Administration, HHS.
ACTION: Notice.

SUMMARY: The Food and Drug Administration (FDA or the Agency) is issuing an order under the Federal Food, Drug, and Cosmetic Act (FD&C Act) debarring Oscar Bobo for a period of 5 years from importing or offering for

import any drug into the United States. FDA bases this order on a finding that Mr. Bobo engaged in a pattern of importing or offering for import misbranded drugs (*i.e.*, in an amount, frequency, or dosage that is inconsistent with his personal or household use) that are not designated in an authorized electronic data interchange system as products regulated by FDA. Mr. Bobo was given notice of the proposed debarment and was given an opportunity to request a hearing to show why he should not be debarred. As of March 25, 2026 (30 days after receipt of the notice), Mr. Bobo had not responded. Mr. Bobo’s failure to

respond and request a hearing constitutes a waiver of his right to a hearing concerning this matter.

DATES: This order is applicable May 15, 2026.

ADDRESSES: Any application by Mr. Bobo for termination of debarment under section 306(d)(1) of the FD&C Act (21 U.S.C. 335a(d)(1)) may be submitted at any time as follows:

Electronic Submissions

- **Federal eRulemaking Portal:** <https://www.regulations.gov>. Follow the instructions for submitting comments. An application submitted electronically, including attachments, to <https://www.regulations.gov> will be posted to the docket unchanged. Because your application will be made public, you are solely responsible for ensuring that your application does not include any confidential information that you or a third party may not wish to be posted, such as medical information, your or anyone else's Social Security number, or confidential business information, such as a manufacturing process. Please note that if you include your name, contact information, or other information that identifies you in the body of your application, that information will be posted on <https://www.regulations.gov>.

- If you want to submit an application with confidential information that you do not wish to be made available to the public, submit the application as a written/paper submission and in the manner detailed (see "Written/Paper Submissions" and "Instructions").

Written/Paper Submissions

- **Mail/Hand Delivery/Courier (for written/paper submissions):** Dockets Management Staff (HFA-305), Food and Drug Administration, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852.

- For a written/paper application submitted to the Dockets Management Staff, FDA will post your application, as well as any attachments, except for information submitted, marked, and identified, as confidential, if submitted as detailed in "Instructions."

Instructions: All applications must include the Docket No. FDA-2025-N-0421. Received applications will be placed in the docket and, except for those submitted as "Confidential Submissions," publicly viewable at <https://www.regulations.gov> or at the Dockets Management Staff between 9 a.m. and 4 p.m., Monday through Friday, 240-402-7500.

- **Confidential Submissions—**To submit an application with confidential information that you do not wish to be

made publicly available, submit your application only as a written/paper submission. You should submit two copies total. One copy will include the information you claim to be confidential with a heading or cover note that states "THIS DOCUMENT CONTAINS CONFIDENTIAL INFORMATION." The Agency will review this copy, including the claimed confidential information, in its consideration of your application. The second copy, which will have the claimed confidential information redacted/blacked out, will be available for public viewing and posted on <https://www.regulations.gov>. Submit both copies to the Dockets Management Staff. If you do not wish your name and contact information to be made publicly available, you can provide this information on the cover sheet and not in the body of your comments and you must identify this information as "confidential." Any information marked as "confidential" will not be disclosed except in accordance with 21 CFR 10.20 and other applicable disclosure law. For more information about FDA's posting of comments to public dockets, see 80 FR 56469, September 18, 2015, or access the information at: <https://www.govinfo.gov/content/pkg/FR-2015-09-18/pdf/2015-23389.pdf>.

Docket: For access to the docket, go to <https://www.regulations.gov> and insert the docket number, found in brackets in the heading of this document, into the "Search" box and follow the prompts and/or go to the Dockets Management Staff, 5630 Fishers Lane, Rm. 1061, Rockville, MD 20852 between 9 a.m. and 4 p.m., Monday through Friday, 240-402-7500. Publicly available submissions may be seen in the docket.

FOR FURTHER INFORMATION CONTACT: Jaime Espinosa, Division of Field Enforcement, Office of Field Regulatory Operations, Office of Inspections and Investigations, Food and Drug Administration, at 240-402-8743, or debarments@fda.hhs.gov.

SUPPLEMENTARY INFORMATION:

I. Background

Section 306(b)(1)(D) of the FD&C Act permits debarment of an individual from importing or offering for import any drug into the United States if FDA finds, as required by section 306(b)(3)(D) of the FD&C Act, that the individual has engaged in a pattern of importing or offering for import (*i.e.*, in an amount, frequency, or dosage that is inconsistent with personal or household use) misbranded drugs that are not designated in an authorized electronic data interchange system as products regulated by FDA.

After an investigation, FDA discovered that Mr. Bobo had engaged in numerous instances of importing or offering for import misbranded drugs. Specifically, between April 5, 2019, and September 3, 2024, Mr. Bobo imported or offered for import 8 parcels containing a total of 10 products (5,970 tablets) that contained tadalafil and sildenafil. FDA determined that these drugs were misbranded because their labeling lacked adequate directions for use, as required by section 502(f)(1) of the FD&C Act (21 U.S.C. 352(f)(1)), and/or because the drugs were prescription drugs and their labels failed to bear the symbol "Rx only" as required by section 503(b)(4)(A) of the FD&C Act (21 U.S.C. 353(b)(4)(A)). All the parcels containing the misbranded drugs serving as the basis for this action were intercepted by FDA at the John F. Kennedy International Mail Facility and were addressed to Mr. Bobo at an address connected to him.

As a result of this pattern of importing or offering for import (*i.e.* in an amount, frequency, or dosage that is inconsistent with personal or household use) misbranded drugs that are not designated in an authorized electronic data interchange system as products regulated by FDA, in accordance with section 306(b)(3)(D) of the FD&C Act, FDA sent Mr. Bobo, by certified mail on February 17, 2026, a notice proposing to debar him for a 5-year period from importing or offering for import any drug into the United States. The attachment to that notice contained a table listing all the parcels intercepted by FDA that contained the misbranded drugs serving as a basis for this action. Among other pieces of information, that table contained the submission date of the entry, the product contained in the package, the quantity of the product, and the product violation FDA found for each entry. That attachment is posted to the docket and can be accessed by the public at <https://www.regulations.gov>.

In proposing a debarment period, FDA weighed the considerations set forth in section 306(c)(3) of the FD&C Act that the Agency considered applicable to Mr. Bobo's pattern of conduct and concluded that his conduct warranted the imposition of a 5-year period of debarment. The proposal informed Mr. Bobo of the proposed debarment and offered him an opportunity to request a hearing, providing him 30 days from the date of receipt of the letter in which to file the request, and advised him that failure to request a hearing constituted a waiver of the opportunity for a hearing and of any contentions concerning this action. Mr. Bobo received the proposal and notice

of opportunity for a hearing on February 23, 2026. Mr. Bobo failed to request a hearing within the timeframe prescribed by regulation and has, therefore, waived his opportunity for a hearing and waived any contentions concerning his debarment (21 CFR part 12).

II. Findings and Order

Therefore, the Division of Field Enforcement Director, Office of Inspections and Investigations, under section 306(b)(3)(D) of the FD&C Act, under authority delegated to the Director, Division of Enforcement, finds that Mr. Oscar Bobo has engaged in a pattern of importing or offering for import (*i.e.*, in an amount, frequency, or dosage that is inconsistent with his personal or household use) misbranded drugs that are not designated in an authorized electronic data interchange system as products regulated by the FDA. FDA finds that this pattern of conduct should be accorded a debarment period of 5 years as provided by section 306(c)(2)(A)(iii) of the FD&C Act.

As a result of the foregoing finding, Mr. Bobo is debarred for a period of 5 years from importing or offering for import any drug into the United States, effective (see **DATES**). Pursuant to section 301(cc) of the FD&C Act (21 U.S.C. 331(cc)), the importing or offering for import into the United States of any drug by, with the assistance of, or at the direction of Mr. Bobo during his period of debarment is a prohibited act.

Grace R. Graham,

Deputy Commissioner for Policy, Legislation, and International Affairs.

[FR Doc. 2026-09767 Filed 5-14-26; 8:45 am]

BILLING CODE 4164-01-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Resources and Services Administration

Agency Information Collection Activities: Proposed Collection: Public Comment Request; Information Collection Request Title: Data System for Organ Procurement and Transplantation Network, OMB No. 0906-0110—Revision

AGENCY: Health Resources and Services Administration (HRSA), Department of Health and Human Services (HHS).

ACTION: Notice.

SUMMARY: In compliance with the requirement for opportunity for public comment on proposed data collection projects of the Paperwork Reduction Act

of 1995, HRSA announces plans to submit an Information Collection Request (ICR), described below, to the Office of Management and Budget (OMB). Prior to submitting the ICR to OMB, HRSA seeks comments from the public regarding the burden estimate, below, or any other aspect of the ICR.

DATES: Comments on this ICR should be received no later than July 14, 2026.

ADDRESSES: Submit your comments to paperwork@hrsa.gov or mail the HRSA Information Collection Clearance Officer, Room 13N82, 5600 Fishers Lane, Rockville, Maryland 20857.

FOR FURTHER INFORMATION CONTACT: To request more information on the proposed project or to obtain a copy of the data collection plans and draft instruments, email paperwork@hrsa.gov or call Samantha Miller, the HRSA Information Collection Clearance Officer, at (301) 443-3983.

SUPPLEMENTARY INFORMATION: When submitting comments or requesting information, please include the ICR title for reference.

Information Collection Request Title: Data System for Organ Procurement and Transplantation Network, OMB No. 0906-0110—Revision

Abstract: Section 372 of the Public Health Service Act requires that the Secretary of HHS, by awards, provide for the establishment and operation of the Organ Procurement and Transplantation Network (OPTN), which, under HRSA's oversight, operates the U.S. organ procurement and transplantation system. HRSA, in alignment with the Paperwork Reduction Act of 1995, submits OPTN Board of Directors (BOD)-approved data elements for collection to OMB for official federal approval.

Need and Proposed Use of the Information: HRSA and the OPTN BOD use data to develop transplant, procurement, and allocation policies; to determine whether institutional members are complying with OPTN policies and HHS regulations; to determine member-specific performance; to ensure patient safety; and to fulfill the requirements of the HHS OPTN regulations at 42 CFR 121. In addition, the regulatory authority in 42 CFR 121.11 (<https://www.ecfr.gov/current/title-42/section-121.11>) requires the OPTN to maintain certain records and to make OPTN data available, consistent with applicable laws, for use by OPTN members, the Scientific Registry of Transplant Recipients, the Department of HHS, and members of the public for evaluation, research, patient information, and other important purposes.

This is a request to revise the current OPTN data collection which includes time-sensitive, life-critical data on transplant candidates and potential organ donors, the organ matching process, histocompatibility results, organ labeling and packaging, and pre- and post-transplantation data on recipients and donors. This revision also includes OPTN BOD-approved changes to the existing OMB data collection forms. The OPTN collects these specific data elements from transplant hospitals, organ procurement organizations, and histocompatibility laboratories.

HRSA and the OPTN use this information to (1) facilitate organ placement and match donor organs with recipients; (2) monitor compliance of member organizations with federal laws and regulations and with OPTN requirements; (3) review and report periodically to the public on the status of organ donation, procurement, and transplantation in the United States; (4) provide data to researchers and government agencies to study the scientific and clinical status of organ transplantation; and (5) perform transplantation-related public health surveillance, including the possible transmission of donor disease.

HRSA requests making the following changes to improve the OPTN organ matching and allocation process and improve OPTN member compliance with OPTN requirements:

1. Add two data collection forms from the OPTN Computer System (UNet platform) to the existing OMB-approved information collection.

a. The Patient Safety Contact Management form is used by OPTN members to identify the OPTN member organization's primary and secondary patient safety contact who fulfills the duties as outlined in OPTN policy 15.1.

b. The Patient Transfer form is used by transplant centers to facilitate the transfer of patients to another transplant center after transplant and throughout the annual follow-up periods.

2. Remove vascularized composite allografts (VCA) Transplant Candidate Registration. With the implementation of new VCA waitlist registration forms in the OPTN Waiting List system (in UNet), OPTN members will no longer need to validate the data on the form. The form is now read only. All changes and validations will be performed directly on the new waitlist registration forms.

3. The OPTN BOD-approved additional revisions to existing data collection forms to improve organ matching, allocation, and OPTN policy compliance.

Likely Respondents: Transplant Centers, Organ Procurement Organizations (OPOs), and Histocompatibility Laboratories.

Burden Statement: Burden in this context means the time expended by persons to generate, maintain, retain, disclose, or provide the information requested. This includes the time needed to review instructions; to develop, acquire, install, and utilize technology and systems for the purpose

of collecting, validating, and verifying information, processing and maintaining information, and disclosing and providing information; to train personnel and to be able to respond to a collection of information; to search data sources; to complete and review the collection of information; and to transmit or otherwise disclose the information. The total annual burden hours estimated for this ICR are summarized in the table below.

The total burden hours in the OMB inventory increased by 58,975.02 hours from the previously OMB-approved data collection package. This increase included 3,310.46 hours from the addition of two new data collection forms, an increase of 1,031.03 hours due to OPTN BOD-approved data collection changes, and an increase of 54,633.53 hours from updating the number of respondents and total responses using actual OPTN data from 2025.

TOTAL ESTIMATED ANNUALIZED BURDEN HOURS

Form No.	Form name	Number of respondents	Number of responses per respondent	Total responses	Average burden per response (in hours)	Total burden hours *
1	Deceased Donor Registration	55	452.40	24,882	0.48	11,943.36
2	Living Donor Registration	209	31.45	6,573	2.2	14,460.71
3	Living Donor Follow-up	209	100.325	20,968	1.52	31,871.25
4	Donor Histocompatibility	137	178.555	24,462	0.15	3,669.31
5	Recipient Histocompatibility	137	323.81	44,362	0.32	14,195.83
6	Heart Transplant Candidate Registration	149	40.87	6,090	0.9	5,481.67
7	Heart Transplant Recipient Registration	149	30.78	4,586	1.96	8,988.99
8	Heart Transplant Recipient Follow Up (6 Month)	149	28.51	4,248	0.4	1,699.20
9	Heart Transplant Recipient Follow Up (1–5 Year)	149	122.62	18,270	0.9	16,443.34
10	Heart Transplant Recipient Follow Up (Post 5 Year)	149	202.66	30,196	0.5	15,098.17
11	Heart Post-Transplant Malignancy Form	149	14.584	2,173	0.9	1,955.71
12	Lung Transplant Candidate Registration	77	51.26	3,947	0.95	3,749.67
13	Lung Transplant Recipient Registration	77	45.34	3,491	1.14	3,979.95
14	Lung Transplant Recipient Follow Up (6 Month)	77	41.34	3,183	0.5	1,591.59
15	Lung Transplant Recipient Follow Up (1–5 Year)	77	147.70	11,373	1.1	12,510.19
16	Lung Transplant Recipient Follow Up (Post 5 Year)	77	162.26	12,494	0.6	7,496.41
17	Lung Post-Transplant Malignancy Form	77	22.73	1,750	0.4	700.08
18	Heart/Lung Transplant Candidate Registration	75	1.03	77	1.16	89.61
19	Heart/Lung Transplant Recipient Registration	75	0.80	60	2.09	125.40
20	Heart/Lung Transplant Recipient Follow Up (6 Month)	75	0.75	56	0.8	45.00
21	Heart/Lung Transplant Recipient Follow Up (1–5 Year)	75	2.69	202	1.1	221.93
22	Heart/Lung Transplant Recipient Follow Up (Post 5 Year).	75	3.64	273	0.6	163.80
23	Heart/Lung Post-Transplant Malignancy Form	75	0.20	15	0.4	6.00
24	Liver Transplant Candidate Registration	144	112.48	16,197	0.8	12,957.70
25	Liver Transplant Recipient Registration	144	85.715	12,343	1.2	14,811.55
26	Liver Transplant Recipient Follow Up (6 Month–5 Year).	144	384.50	55,368	1	55,368.00
27	Liver Transplant Recipient Follow Up (Post 5 Year)	144	466.79	67,218	0.5	33,608.88
28	Liver Recipient Explant Pathology Form	144	7.806	1,124	0.6	674.44
29	Liver Post-Transplant Malignancy Form	144	27.19	3,915	0.8	3,132.29
30	Intestine Transplant Candidate Registration	17	6.76	115	1.3	149.40
31	Intestine Transplant Recipient Registration	17	5.18	88	1.8	158.51
32	Intestine Transplant Recipient Follow Up (6 Month–5 Year).	17	23.29	396	1.5	593.90
33	Intestine Transplant Recipient Follow Up (Post 5 Year)	17	52.35	890	0.4	355.98
34	Intestine Post-Transplant Malignancy Form	17	0.35	6	1	5.95
35	Kidney Transplant Candidate Registration	232	225.83	52,393	0.8	41,914.05
36	Kidney Transplant Recipient Registration	232	118.935	27,593	1.2	33,111.50
37	Kidney Transplant Recipient Follow Up (6 Month–5 Year).	232	610.616	141,663	0.9	127,496.62
38	Kidney Transplant Recipient Follow Up (Post 5 Year)	232	617.823	143,335	0.5	71,667.47
39	Kidney Post-Transplant Malignancy Form	232	31.573	7,325	0.8	5,859.95
40	Pancreas Transplant Candidate Registration	127	2.20	279	0.6	167.64
41	Pancreas Transplant Recipient Registration	127	0.84	107	1.2	128.02
42	Pancreas Transplant Recipient Follow Up (6 Month–5 Year).	127	4.20	533	0.5	266.70
43	Pancreas Transplant Recipient Follow Up (Post 5 Year).	127	15.71	1,995	0.5	997.59
44	Pancreas Post-Transplant Malignancy Form	127	0.724	92	0.6	55.17
45	Kidney/Pancreas Transplant Candidate Registration	127	13.35	1,695	0.6	1,017.27
46	Kidney/Pancreas Transplant Recipient Registration	127	6.34	805	1.2	966.22
47	Kidney/Pancreas Transplant Recipient Follow Up (6 Month–5 Year).	127	35.55	4,515	0.5	2,257.43

TOTAL ESTIMATED ANNUALIZED BURDEN HOURS—Continued

Form No.	Form name	Number of respondents	Number of responses per respondent	Total responses	Average burden per response (in hours)	Total burden hours *
48	Kidney/Pancreas Transplant Recipient Follow Up (Post 5 Year).	127	68.19	8,660	0.6	5,196.08
49	Kidney/Pancreas Post-Transplant Malignancy Form	127	2.315	294	0.4	117.60
50	VCA Transplant Recipient Registration	23	0.39	9	1.36	12.20
51	VCA Transplant Recipient Follow Up	23	2.91	67	1.31	87.68
52	Organ Labeling and Packaging	55	308.47	16,966	0.18	3,053.85
53	Organ Tracking and Validating	306	18.68	5,716	0.08	457.29
54	Kidney Paired Donation Candidate Registration	155	0.40	62	0.26	16.12
55	Kidney Paired Donation Donor Registration	155	0.74	115	1.08	123.88
56	Kidney Paired Donation Match Offer Management	155	0.86	133	0.67	89.31
57	Disease Transmission Event	306	2.958	905	0.6	543.09
58	Living Donor Event	209	0.24	50	0.56	28.09
59	Safety Situation	443	1.325	587	0.24	140.87
60	Potential Disease Transmission Report	55	14.78	813	1.27	1,032.38
61	Request to Unlock Form	443	156.156	69,177	0.02	1,383.54
62	Initial Donor Registration	55	453.870	24,963	4.75	118,573.54
63	OPO Notification Limit Administration	55	0.16	9	0.17	1.50
64	Potential Transplant Recipient	306	5332.24	1,631,665	0.05	81,583.27
65	Death Notification Registration	55	227.35	12,504	0.42	5,251.79
66	Deceased Donor Death Referral	55	61.80	3,399	0.5	1,699.50
67	Donor Hospital Registration	55	0.07	4	0.08	0.31
68	Donor Organ Disposition	55	453.87	24,963	0.17	4,243.68
69	Transplant Center Contact Management	251	863.462	216,729	0.06	13,003.74
70	Adult Kidney Candidate Listing Registration	232	227.927	52,879	0.52	27,497.11
71	Pediatric Kidney Candidate Listing Registration	103	11.66	1,201	0.47	564.46
72	Adult Kidney Pancreas Candidate Listing Registration	127	13.32	1,692	0.37	625.91
73	Pediatric Kidney Pancreas Candidate Listing Registration.	29	0.10	3	0.3	0.87
74	Adult Pancreas Candidate Listing Registration	127	15.27	1,939	0.38	736.93
75	Pediatric Pancreas Candidate Listing Registration	30	1.17	35	0.38	13.34
76	Adult Pancreas Islet Listing Registration	18	4.44	80	0.38	30.37
77	Pediatric Pancreas Islet Listing Registration***	18	0.00	0	0.33	0.00
78	Adult Liver Candidate Listing Registration	144	107.35	15,458	0.32	4,946.69
79	Pediatric Liver Candidate Listing Registration	59	12.51	738	0.4	295.24
80	Adult Intestine Candidate Listing Registration	17	4.53	77	0.38	29.26
81	Pediatric Intestine Candidate Listing Registration	17	2.24	38	0.43	16.37
82	Adult Heart Candidate Listing Registration	149	36.52	5,441	0.83	4,516.43
83	Pediatric Heart Candidate Listing Registration	63	10.30	649	0.58	376.36
84	Adult HeartLung Candidate Listing Registration	75	0.96	72	0.85	61.20
85	Pediatric HeartLung Candidate Listing Registration	25	0.20	5	0.93	4.65
86	Adult Lung Candidate Listing Registration	77	50.77	3,909	1.01	3,948.38
87	Pediatric Lung Candidate Listing Registration	45	0.84	38	0.84	31.75
88	Candidate Registration Listing Removal	251	305.653	76,719	0.18	13,809.40
89	VCA Abdominal Wall Candidate Listing Registration***	8	0.00	0	0.33	0.00
90	VCA External Male Genitalia Candidate Listing Registration***	2	0.00	0	0.33	0.00
91	VCA Head and Neck Candidate Listing Registration ...	9	0.11	1	0.33	0.33
92	VCA Lower Limb Candidate Listing Registration***	4	0.00	0	0.33	0.00
93	VCA Musculoskeletal Composite Graft Segment Candidate Listing Registration***	2	0.00	0	0.33	0.00
94	VCA Other Genitourinary Organ Candidate Listing Registration.	5	0.20	1	0.33	0.33
95	VCA Spleen Candidate Listing Registration***	0	0.00	0	0.33	0.00
96	VCA Upper Limb Candidate Listing Registration***	11	0.00	0	0.33	0.00
97	VCA Uterus Candidate Listing Registration	6	1.83	11	0.33	3.62
98	VCA Vascularized Gland Candidate Listing Registration***	1	0.00	0	0.33	0.00
99	Organ Export Verification Form	55	0.29	16	0.03	0.48
100	OPTN Waiting Time Transfer Form	251	5.323	1,336	0.23	307.30
101	OPTN Waiting Time Modification Form	251	23.73	5,956	0.22	1,310.37
102	OPTN Renal Waiting Time Reinstatement Form	232	1.33	309	0.27	83.31
103	OPTN Pancreas Waiting Time Reinstatement Form	127	0.04	5	0.2	1.02
104	Intestinal Waiting Time Reinstatement Form	17	0.06	1	0.25	0.26
105	Prior Living Donor Priority	232	0.414	96	0.27	25.93
106	Kidney Minimum Acceptance Criteria	232	0.957	222	0.3	66.61
107	Adult Liver Status 1A Initial Justification and Extension Form.	144	2.125	306	0.57	174.42
108	Pediatric Liver Status 1A Initial Justification and Extension Form.	59	3.00	177	0.57	100.89

TOTAL ESTIMATED ANNUALIZED BURDEN HOURS—Continued

Form No.	Form name	Number of respondents	Number of responses per respondent	Total responses	Average burden per response (in hours)	Total burden hours *
109	Pediatric Liver Status 1B Initial Justification and Extension Form.	59	7.10	419	0.47	196.88
110	Liver Cholangiocarcinoma Initial MELD/PELD Score Exception Form.	144	0.83	120	0.43	51.39
111	Liver Cholangiocarcinoma MELD/PELD Score Exception Extension Form.	144	0.674	97	0.32	31.06
112	Liver Cystic Fibrosis Initial MELD/PELD Score Exception and Extension Form.	144	0.08	12	0.33	3.80
113	Liver Familial Amyloid Polyneuropathy Initial MELD/PELD Score Exception Form ***.	144	0.00	0	0.4	0.00
114	Liver Familial Amyloid Polyneuropathy MELD/PELD Score Exception Extension Form.	144	0.01	1	0.3	0.43
115	Liver Hepatic Artery Thrombosis Initial MELD/PELD Score Exception and Extension Form.	144	0.55	79	0.35	27.72
116	Liver Hepatocellular Carcinoma Initial MELD/PELD Score Exception Form.	144	22.18	3,194	0.47	1,501.14
117	Liver Hepatocellular Carcinoma MELD/PELD Score Exception Extension Form.	144	28.84	4,153	0.35	1,453.54
118	Liver Hepatopulmonary Syndrome Initial MELD/PELD Score Exception Form.	144	1.424	205	0.32	65.62
119	Liver Hepatopulmonary Syndrome MELD/PELD Score Exception Extension Form.	144	0.806	116	0.25	29.02
120	Liver Metabolic Disease Initial MELD/PELD Score Exception and Extension Form.	144	0.84	121	0.28	33.87
121	Liver Portopulmonary Hypertension Initial MELD/PELD Score Exception Form.	144	0.52	75	0.42	31.45
122	Liver Portopulmonary Hypertension MELD/PELD Score Exception Extension Form.	144	0.375	54	0.33	17.82
123	Liver Primary Hyperoxaluria Initial MELD/PELD Score Exception and Extension Form.	144	0.104	15	0.35	5.24
124	Liver Other Diagnosis Initial MELD/PELD Score Exception and Extension Form.	144	14.326	2,063	0.35	722.03
125	Pediatric Heart and HeartLung Status 1A Initial Justification Form.	63	15.56	980	0.52	509.75
126	Pediatric Heart and HeartLung Status 1A Extension and Appeal Justification Forms.	63	73.57	4,635	0.47	2,178.41
127	Pediatric Heart and HeartLung Status 1B Initial Justification Form.	63	7.05	444	0.42	186.54
128	Adult Heart and HeartLung Status 1–6 Justification Form Demographic Data.	149	161.57	24,074	0.32	7,703.66
129	Adult Heart and HeartLung Status 1–6 Justification Form Risk Stratification Data.	149	161.57	24,074	0.72	17,333.23
130	Adult Heart and HeartLung Status 1 Initial Justification Form Medical Urgency Data.	149	8.315	1,239	0.58	718.58
131	Adult Heart and HeartLung Status 1 Exception Extension Justification Form Medical Urgency Data.	149	1.10	164	0.33	54.09
132	Adult Heart and HeartLung Status 1 Criteria 1 Extension Justification Form Medical Urgency Data.	149	0.87	130	0.53	68.70
133	Adult Heart and HeartLung Status 2 Initial Justification Form Medical Urgency Data.	149	28.644	4,268	0.8	3,414.36
134	Adult Heart and HeartLung Status 2 Exception Extension Justification Form Medical Urgency Data.	149	19.987	2,978	0.33	982.76
135	Adult Heart and HeartLung Status 2 Criteria 1 Extension Justification Form Medical Urgency Data.	149	0.013	2	0.42	0.81
136	Adult Heart and HeartLung Status 2 Criteria 4 Extension Justification Form Medical Urgency Data.	149	5.54	825	0.63	520.04
137	Adult Heart and HeartLung Status 2 Criteria 5 Extension Justification Form Medical Urgency Data.	149	1.87	279	0.6	167.18
138	Adult Heart and HeartLung Status 3 Initial Justification Form Medical Urgency Data.	149	11.25	1,676	0.63	1,056.04
139	Adult Heart and HeartLung Status 3 Exception Extension Justification Form Medical Urgency Data.	149	7.497	1,117	0.33	368.63
140	Adult Heart and HeartLung Status 3 Criteria 2 Extension Justification Form Medical Urgency Data.	149	0.544	81	0.32	25.94
141	Adult Heart and HeartLung Status 3 Criteria 5 Extension Justification Form Medical Urgency Data.	149	0.04	6	0.48	2.86
142	Adult Heart and HeartLung Status 4 Initial Justification Form Medical Urgency Data.	149	23.41	3,488	0.5	1,744.05

TOTAL ESTIMATED ANNUALIZED BURDEN HOURS—Continued

Form No.	Form name	Number of respondents	Number of responses per respondent	Total responses	Average burden per response (in hours)	Total burden hours *
143	Adult Heart and HeartLung Status 4 Exception Extension Justification Form Medical Urgency Data.	149	2.17	323	0.25	80.83
144	Adult Heart and HeartLung Status 4 Criteria 2 Extension Justification Form Medical Urgency Data.	149	0.78	116	0.4	46.49
145	Adult and Pediatric Lung and HeartLung Goal Exception Form.	149	2.785	415	0.75	311.22
146	Pediatric Lung Priority 1 Status Justification Form	45	0.53	24	0.33	7.87
147	Review Board Voter Form	251	24.745	6,211	0.23	1,428.53
148	Living Donor Feedback Form	209	38.856	8,121	0.13	1,055.72
149	Extra Vessels Reporting Form	251	59.28	14,879	0.03	446.38
150	Non-US Transplants Reporting Form ***	232	0.00	0	0.03	0.00
151	Discrepant HLA Typings Reporting Form	137	1.27	174	5.17	899.53
152	Interim Event Reporting Form	251	88.454	22,202	0.06	1,332.12
153	Patient Safety Contact Management Form **	306	42.20	12,913	0.14	1,807.85
154	Patient Transfer Form **	251	15.35	3,853	0.39	1,502.61
Total		19,424	.....	3,101,339	.....	910,553.02

* **Note:** Totals for responses and burden hours may reflect minor discrepancies due to rounding; however, these rounding adjustments do not affect the overall burden estimates presented.

** New forms.

*** If a form has 0.00 under the average number of responses, this is an indicator that there were no submissions in calendar year 2025.

HRSA specifically requests comments on (1) the necessity and utility of the proposed information collection for the proper performance of the agency's functions; (2) the accuracy of the estimated burden; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) the use of automated collection techniques or other forms of information technology to minimize the information collection burden.

Maria G. Button,

Director, Executive Secretariat.

[FR Doc. 2026-09804 Filed 5-14-26; 8:45 am]

BILLING CODE 4165-15-P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Institutes of Health

Government Owned Inventions Available for License: Synergistic Interactions for Improved Cancer Treatment

AGENCY: National Institutes of Health, HHS.

ACTION: Notice.

SUMMARY: The National Cancer Institute (NCI) seeks research co-development partners and/or licensees to develop hetIL-15 in combination with other agents, such as PPARα agonists (Fenofibrate), FLT3 inhibitors (quizartinib), IL-12, or chemotherapy into a therapeutic for cancer.

FOR FURTHER INFORMATION CONTACT:

Inquiries related to this license opportunity should be directed to: Rose Freel, Ph.D., Unit Supervisor, NCI, Technology Transfer Center, Email: rose.freel@nih.gov or Phone: 301-624-1257.

SUPPLEMENTARY INFORMATION:

Immunotherapy has emerged as a promising treatment strategy for many types of cancer. However, a major challenge is “exhausted” tumor-infiltrating immune cells, which lose their ability to effectively eliminate cancer cells. To address this issue, researchers are exploring ways to reverse immune exhaustion and improve treatment outcomes. One potential approach involves interleukin-15 (IL-15), a cytokine that promotes the growth and killing ability of tumor-specific CD8+ T cells and NK cells. IL-15, either alone or in combination with other agents, has shown some promise in clinical trials. However, its use is hindered by toxicity at effective doses. Therefore, there is a critical need for safer and more effective combinations to improve patient outcomes.

Inventors at the NCI previously developed heterodimeric IL-15 (hetIL-15), composed of IL-15 and IL-15 receptor alpha (NIH Reference #E-254-2005, E-257-2009, E-141-2008, E-054-2013, and E-070-2015). The inventors now demonstrate novel combinations of hetIL-15 with other active agents to enhance the metabolic fitness of intratumoral lymphocytes to provide therapeutic improvement. Specifically, the combination of hetIL-15 and

Fenofibrate, a cholesterol-lowering drug, increased cytotoxic T cell activity and provided an almost complete eradication of triple negative breast cancer tumors, including metastatic lesions. Similar results occurred in a mouse pancreatic cancer model. Using a mouse orthotopic breast cancer model, hetIL-15 combined with quizartinib—a potent Fms-like tyrosine kinase 3 (Flt3) inhibitor—resulted in a significant tumor growth delay and complete eradication of tumors in 50% of mice after 16 days of treatment. Additionally, the inventors constructed a fusion protein of IL-15 and IL-12 that controls metastatic disease in a mouse melanoma model. These novel combinations would be particularly useful for the treatment of triple negative breast or pancreatic cancer.

This Notice is in accordance with 37 CFR 404.4—Authority to grant licenses.

NIH Reference Number: E-174-2022.

Product Type: Therapeutic.

Therapeutic Area(s): Oncology | Immunology.

Potential Commercial Applications:

- Treatment for triple negative breast cancer.
- Treatment for pancreatic cancer.
- Treatment of solid tumors for which cellular immunotherapy outcomes are diminished due to T or NK cell exhaustion.
- Treatment of solid tumors for which IL-15-based therapy is diminished due to toxicity at clinically relevant doses.

Competitive Advantages:

- Novel combination showing improved therapeutic potential in

several solid cancers, including breast cancer and melanoma.

- Combination of hetIL-15 with agents already approved (Fenofibrate, Flt-3) decreases regulatory risk and thus expedites commercialization.
- Overcoming IL-15 toxicity at clinically relevant doses.

Dated: May 13, 2026.

Richard U. Rodriguez,

Associate Director, Technology Transfer Center, National Cancer Institute.

[FR Doc. 2026-09808 Filed 5-14-26; 8:45 am]

BILLING CODE 4167-05-P

DEPARTMENT OF HOMELAND SECURITY

Office of the Secretary

Determination Pursuant to Section 102 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as Amended

AGENCY: Office of the Secretary, Department of Homeland Security.

ACTION: Notice of determination.

SUMMARY: The Secretary of Homeland Security has determined, pursuant to law, that it is necessary to waive certain laws, regulations, and other legal requirements in order to ensure the expeditious construction of barriers and roads in the vicinity of the international land border in the state of Texas.

DATES: This determination takes effect on May 15, 2026.

SUPPLEMENTARY INFORMATION: Important mission requirements of the Department of Homeland Security (“DHS”) include border security and the detection and prevention of illegal entry into the United States. Border security is critical to the nation’s national security. Recognizing the critical importance of border security, Congress has mandated DHS to achieve and maintain operational control of the international land border. Secure Fence Act of 2006, Public Law 109–367, section 2, 120 Stat. 2638 (Oct. 26, 2006) (8 U.S.C. 1701 note). Congress defined “operational control” as the prevention of all unlawful entries into the United States, including entries by terrorists, other unlawful aliens, instruments of terrorism, narcotics, and other contraband. *Id.* Consistent with that mandate, the President’s Executive Order on Securing Our Borders directs that I take all appropriate action to deploy and construct physical barriers to ensure complete operational control of the southern border of the United States. Executive Order 14165, section 3 (Jan. 20, 2025).

Congress has provided to the Secretary of Homeland Security a number of authorities necessary to carry out DHS’s border security mission. One of those authorities is found at section 102 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended (“IIRIRA”). Public Law 104–208, Div. C, Tit. I, section 102, 110 Stat. 3009–546, 3009–554 (8 U.S.C. 1103 note), as amended by the REAL ID Act of 2005, Public Law 109–13, Div. B, Tit. I, section 102, 119 Stat. 302, 306 (8 U.S.C. 1103 note), as amended by the Secure Fence Act of 2006, Public Law 109–367, section 3, 120 Stat. 2638 (8 U.S.C. 1103 note), as amended by the Department of Homeland Security Appropriations Act, 2008, Public Law 110–161, Div. E, Tit. V, section 564, 121 Stat. 2042, 2090. In section 102(a) of IIRIRA, Congress provided that the Secretary of Homeland Security shall take such actions as may be necessary to install additional physical barriers and roads (including the removal of obstacles to detection of illegal entrants) in the vicinity of the United States border to deter illegal crossings in areas of high illegal entry into the United States. In section 102(b) of IIRIRA, Congress mandated that in carrying out the authority of section 102(a), I provide for the installation of additional fencing, barriers, roads, lighting, cameras, and sensors to achieve and maintain operational control of the border. Finally, in section 102(c) of IIRIRA, Congress granted to the Secretary of Homeland Security the authority to waive all legal requirements that I, in my sole discretion, determine necessary to ensure the expeditious construction of barriers and roads authorized by section 102 of IIRIRA.

Determination and Waiver

Section 1

The United States Border Patrol Big Bend Sector is an area of high illegal entry. Between fiscal year 2021 and fiscal year 2025, Border Patrol apprehended over 89,000 illegal aliens attempting to enter the United States between border crossings in the Big Bend Sector. In that same time period Border Patrol seized over 87,574 pounds of marijuana, over 867 pounds of cocaine, over 1,156 pounds of methamphetamine, over 12 pounds of heroin, and over 94 pounds of fentanyl.

Since the President took office, DHS has delivered the most secure border in history. More can and must be done, however. As the statistics cited above demonstrate, the Big Bend Sector is an area of high illegal entry where illegal aliens regularly attempt to enter the

United States and smuggle illicit drugs, and given my mandate to achieve and maintain operational control of the border, I must use my authority under section 102 of IIRIRA to install additional barriers and roads in the Big Bend Sector. Therefore, DHS will take immediate action to construct additional barriers and roads in a segment of the border in the Big Bend Sector. The segment where such construction will occur is referred to herein as the “project area,” which is more specifically described in Section 2 below.

Section 2

I determine that the following area in the vicinity of the United States border, located in the state of Texas within the U. S. Border Patrol Big Bend Sector is an area of high illegal entry (the “project area”): Starting at approximately GPS point 29.7275568–101.6848011 and extending east to approximately GPS point 29.727557–102.684802.

There is presently an acute and immediate need to construct additional physical barriers and roads in the vicinity of the border of the United States in order to prevent unlawful entries into the United States in the project area pursuant to section 102(a) and 102(b) of IIRIRA. In order to ensure the expeditious construction of additional physical barriers and roads in the project area, I have determined that it is necessary that I exercise the authority that is vested in me by section 102(c) of IIRIRA.

Accordingly, pursuant to section 102(c) of IIRIRA, I hereby waive in their entirety, with respect to the construction of physical barriers and roads (including, but not limited to, accessing the project areas, creating and using staging areas, the conduct of earthwork, excavation, fill, and site preparation, and installation and upkeep of physical barriers, roads, supporting elements, drainage, erosion controls, safety features, lighting, cameras, and sensors) in the project area, all of the following statutes, including all federal, state, or other laws, regulations, and legal requirements of, deriving from, or related to the subject of, the following statutes, as amended: The National Environmental Policy Act (Pub. L. 91–190, 83 Stat. 852 (42 U.S.C. 4321 *et seq.*)); the Endangered Species Act (Pub. L. 93–205, 87 Stat. 884 (16 U.S.C. 1531 *et seq.*)); the Federal Water Pollution Control Act (commonly referred to as the Clean Water Act (33 U.S.C. 1251 *et seq.*)); the National Historic Preservation Act (Pub. L. 89–665, 80 Stat. 915, as amended, repealed, or replaced by Pub.

L. 113–287 (formerly codified at 16 U.S.C. 470 *et seq.*, now codified at 54 U.S.C. 100101 note and 54 U.S.C. 100101 *et seq.*); the Migratory Bird Treaty Act (16 U.S.C. 703 *et seq.*); the Migratory Bird Conservation Act (16 U.S.C. 715 *et seq.*); the Clean Air Act (42 U.S.C. 7401 *et seq.*); the Archeological Resources Protection Act (Pub. L. 96–95 (16 U.S.C. 470aa *et seq.*); the Paleontological Resources Preservation Act (16 U.S.C. 470aaa *et seq.*); the Federal Cave Resources Protection Act of 1988 (16 U.S.C. 4301 *et seq.*); the National Trails System Act (16 U.S.C. 1241 *et seq.*); the Safe Drinking Water Act (42 U.S.C. 300f *et seq.*); the Noise Control Act (42 U.S.C. 4901 *et seq.*); the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (42 U.S.C. 6901 *et seq.*); the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. 9601 *et seq.*); the Archaeological and Historic Preservation Act (Pub. L. 86–523, as amended, repealed, or replaced by Pub. L. 113–287 (formerly codified at 16 U.S.C. 469 *et seq.*, now codified at 54 U.S.C. 312502 *et seq.*); the Antiquities Act (formerly codified at 16 U.S.C. 431 *et seq.* and 16 U.S.C. 431a *et seq.*, now codified 54 U.S.C. 320301 *et seq.*); the Historic Sites, Buildings, and Antiquities Act (formerly codified at 16 U.S.C. 461 *et seq.*, now codified at 54 U.S.C. 320301–320303 & 320101–320106); the Eagle Protection Act (16 U.S.C. 668 *et seq.*); the Native American Graves Protection and Repatriation Act (25 U.S.C. 3001 *et seq.*); the Administrative Procedure Act (5 U.S.C. 551 *et seq.*); Section 438 of the Energy Independence and Security Act (42 U.S.C. 17094); the National Fish and Wildlife Act of 1956 (Pub. L. 84–1024 (16 U.S.C. 742a, *et seq.*); the Fish and Wildlife Coordination Act (Pub. L. 73–121 (16 U.S.C. 661 *et seq.*); the Farmland Protection Policy Act (7 U.S.C. 4201 *et seq.*); the Wild Horse and Burro Act (16 U.S.C. 1331 *et seq.*); 43 U.S.C. 387; the Wild and Scenic Rivers Act (Pub. L. 90–542 (16 U.S.C. 1281 *et seq.*); the Federal Land Policy and Management Act (Pub. L. 94–579 (43 U.S.C. 1701 *et seq.*); the Wilderness Act (Pub. L. 88–577 (16 U.S.C. 1131 *et seq.*); the National Park Service Organic Act and the National Park Service General Authorities Act (Pub. L. 64–235, 39 Stat. 535 and Pub. L. 91–383, 84 Stat. 825 as amended, repealed, or replaced by Pub. L. 113–287, 128 Stat. 3094 (formerly codified at 16 U.S.C. 1, 2–4 and 16 U.S.C. 1a-1 *et seq.*, now codified at 54 U.S.C. 100101–100102, 54 U.S.C. 100301–100303, 54 U.S.C. 100501–

100507, 54 U.S.C. 100701–100707, 54 U.S.C. 100721–100725, 54 U.S.C. 100751–100755, 54 U.S.C. 100901–100906, 54 U.S.C. 102101–102102); 16 U.S.C. 156; 16 U.S.C. 157; 16 U.S.C. 157c; and 16 U.S.C. 157d.

This waiver does not revoke or supersede any other waiver determination made pursuant to section 102(c) of IIRIRA. Such waivers shall remain in full force and effect in accordance with their terms. I reserve the authority to execute further waivers from time to time as I may determine to be necessary under section 102 of IIRIRA.

Markwayne Mullin,

Secretary of Homeland Security,

[FR Doc. 2026–09752 Filed 5–14–26; 8:45 am]

BILLING CODE 9111–14–P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–7109–N–07; OMB Control No.: 2577–0294]

60-Day Notice of Proposed Information Collection: Moving to Work Amendment to Consolidated Annual Contributions Contract

AGENCY: Office of the Assistant Secretary for Public and Indian Housing (PIH), HUD.

ACTION: Notice.

SUMMARY: HUD is seeking approval from the Office of Management and Budget (OMB) for the information collection described below. In accordance with the Paperwork Reduction Act, HUD is requesting comments from all interested parties on the proposed collection of information. The purpose of this notice is to allow for 60 days of public comment.

DATES: *Comments Due Date:* July 14, 2026.

ADDRESSES: Interested persons are invited to submit comments regarding this proposal. Written comments and recommendations for the proposed information collection can be sent within 60 days of publication of this notice to www.regulations.gov. Interested persons are also invited to submit comments regarding this proposal and comments should refer to the proposal by name and/or OMB Control Number and should be sent to: Dawn Martin, Office of Public and Indian Housing, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410.

FOR FURTHER INFORMATION CONTACT: Dawn Martin, Office of Public and

Indian Housing, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410; email PIH-PRAPublicComments@hud.gov; telephone 202–402–6488. This is not a toll-free number. HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>. Copies of available documents submitted to OMB may be obtained from Ms. Martin.

SUPPLEMENTARY INFORMATION: This notice informs the public that HUD is seeking approval from OMB for the information collection described in Section A.

A. Overview of Information Collection

Title of Information Collection:

Moving to Work Amendment to Consolidated Annual Contributions Contract(s).

OMB Approval Number: 2577–0294.

Type of Request: Renewal of a currently approved collection.

Form Number: HUD–50166.

Description of the need for the information and proposed use: The proposed Moving to Work (MTW) Amendment to the Annual Contributions Contract(s) (ACC), signed by HUD and the selected public housing agency (PHA), is necessary for HUD to implement the expansion of the MTW program enacted by Congress in the Consolidated Appropriations Act, 2016 (Pub. L. 114–113, approved December 18, 2015) (2016 Appropriation). It establishes the basic terms and conditions that will apply to new PHAs participating in the MTW demonstration and to existing MTW PHAs seeking to now be governed pursuant to the 2016 Appropriation. Specifically, the MTW ACC Amendment amends any ACCs for the public housing or housing choice voucher programs in effect between the PHA and HUD to establish the PHA's designation as an MTW agency and to operate in accordance with the requirements of the MTW demonstration program, as amended by Public Law 114–113. The MTW ACC Amendment establishes the terms of participation in MTW, including the requirement that the PHA follow the MTW Operations Notice and its respective Selection Notice. The PHAs remain subject to the applicable ACCs to the extent that the provisions thereof are not otherwise waived by the Operations Notice or the applicable MTW Selection Notice. Additionally, the MTW ACC

Amendment outlines PHA transition out of the demonstration and HUD termination rights upon PHA default. A

copy of the proposed MTW ACC Amendment is published at the end of this notice.

Respondents: State and Local Governments.

Information collection	Number of respondents	Frequency of response	Responses per annum	Burden hour per response	Annual burden hours	Hourly cost per response	Annual cost
HUD-50166 MTW ACC Amendment	5	5	0	5.00	0	\$85.92	\$429.60

B. Solicitation of Public Comment

This notice is soliciting comments from members of the public and affected parties concerning the collection of information described in Section A on the following:

(1) Whether the renewed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(2) The accuracy of the agency's estimate of the burden of the proposed collection of information;

(3) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(4) Ways to minimize the burden of the collection of information on those who are to respond; including through the use of appropriate automated collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of responses.

HUD encourages interested parties to submit comments in response to these questions.

C. Authority

Section 2 of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507.

Laura Kunkel,

Acting Director, Office of Policy, Programs, and Legislative Initiatives.

[FR Doc. 2026-09769 Filed 5-14-26; 8:45 am]

BILLING CODE 4210-67-P

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-7109-N-08; OMB Control No.: 2577-0274]

60-Day Notice of Proposed Information Collection: Energy and Performance Information Center (EPIC)

AGENCY: Office of the Assistant Secretary for Public and Indian Housing (PIH), HUD.

ACTION: Notice.

SUMMARY: HUD is seeking approval from the Office of Management and Budget (OMB) for the information collection

described below. In accordance with the Paperwork Reduction Act, HUD is requesting comments from all interested parties on the proposed collection of information. The purpose of this notice is to allow for 60 days of public comment.

DATES: *Comments Due Date:* July 14, 2026.

ADDRESSES: Interested persons are invited to submit comments regarding this proposal. Written comments and recommendations for the proposed information collection can be sent within 60 days of publication of this notice to www.regulations.gov. Interested persons are also invited to submit comments regarding this proposal and comments should refer to the proposal by name and/or OMB Control Number and should be sent to: Dawn Martin, Office of Public and Indian Housing, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410.

FOR FURTHER INFORMATION CONTACT:

Dawn Martin, Office of Public and Indian Housing, Department of Housing and Urban Development, 451 7th Street SW, Washington, DC 20410; email to PIH-PRAPublicComments@hud.gov; telephone 202-402-6488 (this is not a toll-free number). HUD welcomes and is prepared to receive calls from individuals who are deaf or hard of hearing, as well as individuals with speech or communication disabilities. To learn more about how to make an accessible telephone call, please visit <https://www.fcc.gov/consumers/guides/telecommunications-relay-service-trs>. Copies of available documents submitted to OMB may be obtained from Ms. Martin.

SUPPLEMENTARY INFORMATION: This notice informs the public that HUD is seeking approval from OMB for the information collection described in Section A.

A. Overview of Information Collection:

Title of Information Collection: Energy and Performance Information Center (EPIC).

OMB Approval Number: 2577-0274.

Type of Request: Revision of a currently approved collection.

Form Numbers: N/A.

Description of the need for the information and proposed use: EPIC automates the collection of the Five-Year Plan and Annual Statement/Budget/Performance and Evaluation (P&E) forms from grantees. These required forms were previously collected in hard copy on Forms HUD-50075.1 and HUD-50075.2 under collection OMB control number 2577-0157. These forms collect data on the eventual and actual use of funds. Electronic collection enables the Department to aggregate information about the way grantees use Federal funds. Tracking Federal funds paid through the Public Housing Capital Fund, the only Federal funding stream dedicated to the capital needs of the nation's last resort housing option, is crucial to understanding how the Department can properly and efficiently assist grantees to meet the Department's goals in maintaining and improving public housing as a safe, decent, and sustainable housing option for low-income residents. EPIC also automates the collection of signed documents required by 24 CFR 905 to gain access to funds awarded by HUD. These forms are covered under the Public Housing Capital Fund Program, OMB control number 2577-0157. Finally, EPIC allows PHAs to request additional funding sources, such as Operating Funds for Capital Fund-eligible activities. The EPIC data system is equipped to collect Physical Needs Assessment data, should this data be required in the future. EPIC is equipped to collect information about the Energy Performance Contract process, including energy efficiency improvements. EPIC is equipped to track development of public housing with Federal funds and through other means, including mixed-finance development.

Respondents: Public Housing Agencies.

Information collection	Number of respondents	Frequency of response	Responses per annum	Burden hours per response	Annual burden hours	Hourly cost per response	Annual cost
Core Activity	2,800	1	2,800	2	5,600	\$72.60	\$406,560
Five-Yr Plan (including Utility Conservation Measures)	2,000	1	2,000	2	4,000	72.60	290,400
Annual Stmt/Budget	2,800	3	8,400	1	8,400	72.60	609,840
P&E	2,800	0.5	1,475	1	1,475	72.60	107,085
Document Management Center (including new digital closeout form)	2,800	2	5,600	0.5	2,800	72.60	203,280
Additional Capital Resources	15	1	15	0.5	7.5	72.60	545
EPC	30	1	30	120	3,600	72.60	261,360
Public Housing Development	60	1	60	120	7,200	72.60	522,720
Mixed Finance Early Warning	60	1	60	0.33	20	72.60	1,452
EDG Module	50	1	50	2	100	72.60	7,260
Totals	2,910	12.5	20,490	33,203	33,203	.....	2,410,502

B. Solicitation of Public Comment

This notice is soliciting comments from members of the public and affected parties concerning the collection of information described in Section A on the following:

(1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;

(2) The accuracy of the agency's estimate of the burden of the proposed collection of information;

(3) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(4) Ways to minimize the burden of the collection of information on those who are to respond, including the use of appropriate automated collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of responses.

HUD encourages interested parties to submit comments in response to these questions.

C. Authority:

Section 2 of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507.

Laura Kunkel,

Acting Director, Office of Policy, Programs, and Legislative Initiatives.

[FR Doc. 2026-09764 Filed 5-14-26; 8:45 am]

BILLING CODE 4210-67-P

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Service

[Docket No. FWS-HQ-IA-2026-1915; FXIA16710900000-267-FF09A30000; OMB Control Number 1018-0093]

Agency Information Collection Activities; Submission to the Office of Management and Budget; Federal Fish and Wildlife Permit Applications and Reports—Management Authority

AGENCY: Fish and Wildlife Service, Interior.

ACTION: Notice of information collection; request for comment.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, we, the U.S. Fish and Wildlife Service (Service), are proposing to renew a currently approved information collection without change.

DATES: Interested persons are invited to submit comments on or before June 15, 2026.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to <https://www.reginfo.gov/public/do/PRAMain>. Find this particular information collection by selecting “Currently under Review—Open for Public Comments” or by using the search function. Please provide a copy of your comments to the Service Information Collection Clearance Officer, U.S. Fish and Wildlife Service, MS: PRB (JAO/3W), 5275 Leesburg Pike, Falls Church, VA 22041-3803 (mail); or by email to Info_Coll@fws.gov. Please reference “1018-0093” in the subject line of your comments.

FOR FURTHER INFORMATION CONTACT:

Madonna L. Baucum, Service Information Collection Clearance Officer, by email at Info_Coll@fws.gov, or by telephone at (703) 358-2503. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY,

TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States. You may also view the information collection request at <https://www.reginfo.gov/public/do/PRAMain>.

SUPPLEMENTARY INFORMATION: In accordance with the Paperwork Reduction Act (PRA; 44 U.S.C. 3501 *et seq.*) and its implementing regulations at 5 CFR part 1320, all information collections require approval under the PRA. We may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget (OMB) control number.

On December 23, 2025, we published in the **Federal Register** (90 FR 60119) a notice of our intent to request that OMB approve this information collection. In that notice, we solicited comments for 60 days, ending on February 23, 2026. We also published the **Federal Register** notice on *Regulations.gov* (Docket No. FWS-HQ-IA-2025-0935). We received the following comments in response to that notice:

Comment 1: Electronic comment received February 21, 2026, via *Regulations.gov* (FWS-HQ-IA-2025-0935-0002) from Jewell Batway. Ms. Batway's comments addressed the new Tongass Forest Plan and the need to protect salmon.

Agency Response to Comment 1: The commenter did not address the information collection requirements; therefore, no response is required.

Comment 2: Anonymous electronic comment received February 23, 2026, via *Regulations.gov* (FWS-HQ-IA-2025-0935-0003). The commenter encouraged the Service to protect animals and to give them the peace they need.

Agency Response to Comment 2: The commenter did not address the

information collection requirements; therefore, no response is required.

As part of our continuing effort to reduce paperwork and respondent burdens, we are again inviting the public and other Federal agencies to comment on new, proposed, revised, and continuing collections of information. This helps us assess the impact of our information collection requirements and minimize the public's reporting burden. It also helps the public understand our information collection requirements and provide the requested data in the desired format.

We are especially interested in public comment addressing the following:

(1) Whether or not the collection of information is necessary for the proper performance of the functions of the agency, including whether or not the information will have practical utility;

(2) The accuracy of our estimate of the burden for this collection of information, including the validity of the methodology and assumptions used;

(3) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(4) How might the agency minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of response.

Comments that you submit in response to this notice are a matter of public record. Before including your address, phone number, email address, or other personally identifiable information in your comment, you should be aware that your entire comment—including your personally identifiable information—may be publicly available at any time. While you can ask us in your comment to withhold your personally identifiable information from public review, we cannot guarantee that we will be able to do so.

Abstract: The general permit requirements at 50 CFR part 13 provide the uniform rules, conditions, and procedures for the application for, and the issuance, denial, suspension, revocation, and general administration of, all permits for all of the laws, treaties, and regulations administered by the Service that authorize activities requiring permits. The requirements in 50 CFR part 13 are in addition to any other permit regulations that may apply to a specific circumstance and are outlined in other sections of our regulations.

The Wild Bird Conservation Act (WBCA; 16 U.S.C. 4901–4916) and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES; 27 U.S.T. 1087, March 3, 1973) mandate a system of permits and certificates to help ensure that international trade is legal and does not threaten the survival of wildlife or plant species in the wild. Permits under the U.S. Endangered Species Act (ESA; 16 U.S.C. 1531 *et seq.*) and the Marine Mammal Protection Act (MMPA; 16 U.S.C. 1361 *et seq.*) ensure that activities are consistent with the intent and purposes of the ESA and MMPA. Permitted activities under the Bald and Golden Eagle Act (BGEPA; 16 U.S.C. 668–668d) must be compatible with the preservation of eagles. Permitted activities regarding injurious wildlife under the Lacey Act (18 U.S.C. 42; 16 U.S.C. 3371–3378) regulate the importation into the United States and any shipment between the continental United States, the District of Columbia, Alaska, Hawaii, the Commonwealth of Puerto Rico, or any possession of the United States, of animal species determined to be injurious by the Secretary of the Interior (Secretary). Such importation and shipments are prohibited, except by permit. Although the Service's Division of Management Authority does not administer the Migratory Bird Treaty Act (MBTA; 16 U.S.C. 704), we receive authorization from the Migratory Bird Program to issue import/export permits under the MBTA.

Prior to the import or export of species listed under the MBTA, MMPA, BGEPA, Lacey Act, WBCA, ESA, and/or CITES, the Management Authority and Scientific Authority must make appropriate determinations and issue the appropriate documents. Section 8A of the ESA designates the Secretary as the U.S. Management Authority and U.S. Scientific Authority for CITES. The Secretary in turn delegated these authorities to the Service.

Before a country can issue an export permit for CITES appendix I or II specimens, the CITES Scientific Authority of the exporting country must determine that the export will not be detrimental to the survival of the species, and the Management Authority must be satisfied that the specimens were acquired legally. For the export of appendix III specimens, the Management Authority must be satisfied that the specimens were acquired legally (CITES does not require findings from the Scientific Authority). Prior to the importation of appendix I specimens, both the Scientific Authority and the Management Authority of the

importing country must make required findings. The Scientific Authority must also monitor trade of all species to ensure that the level of trade is sustainable.

Article VIII(3) of the CITES treaty states that participating parties should make efforts to ensure that CITES specimens are traded with a minimum of delay. Section XIII of Resolution Conf. 12.3 (Rev. CoP19) recommends use of simplified procedures for issuing CITES documents to expedite trade that will have no impact, or a negligible impact, on conservation of the species involved.

Applications and Reports

All Service permit applications and reports are in the 3–200 series of forms, each tailored to a specific activity based on the requirements for specific types of permits. In accordance with Federal regulations at 50 CFR 13.12, we collect standard identifier information for all permit applications, such as:

- Applicant's full name, whether an individual or business, and address (street address, city, county, State, and zip code; and mailing address, if different from street address); main and alternate telephone numbers; and an email address (required if filing electronically, optional for a mail-in application); and
- If the applicant resides or is located outside the United States, an address in the United States, and, if the applicant is conducting commercial activities, the name and address of the applicant's agent inside the United States; and
- If the applicant is a business, corporation, public agency, or institution, the tax identification number; description of the business type, corporation, agency, or institution; and the name and title of the person responsible for the permit (such as president, principal officer, or director);

- Location where the requested permitted activity is to occur or be conducted;

- Reference to the part(s) and section(s) of 50 CFR subchapter B as listed in 50 CFR 13.11(b) under which the application is made for a permit or permits, together with any additional justification, including supporting documentation as required by the referenced part(s) and section(s);

- If the requested permitted activity involves the import or re-export of wildlife or plants from or to any foreign country, and the country of origin, or the country of export or re-export restricts the taking, possession,

transportation, exportation, or sale of wildlife or plants, documentation as indicated in § 14.52(c) of subchapter B;

• Certification containing the following language:

—I hereby certify that I have read and am familiar with the regulations contained in title 50, part 13, of the Code of Federal Regulations and the other applicable parts in subchapter B of chapter I of title 50, Code of Federal Regulations, and I further certify that the information submitted in this application for a permit is complete and accurate to the best of my knowledge and belief. I understand that any false statement herein may subject me to suspension or revocation of this permit and to the criminal penalties of 18 U.S.C. 1001.

• Desired effective date of permit (except where issuance date is fixed by the part under which the permit is issued);

• Signature date;
• Signature of the applicant;
• Such other information as the Director determines relevant to the processing of the application; and
• Additional information required on applications for other types of permits may be found by referring to table 1 in paragraph (b) in 50 CFR 13.12.

Standardization of general information common to the forms makes the filing of applications easier for the public, as well as expediting our review of applications. The information that we collect on applications and reports is the minimum necessary for us to determine if the applicant meets/continues to meet issuance requirements for the particular activity.

Miscellaneous Information Collections

• *Request for Approval of a CITES Export Program (American Ginseng, CITES furbearers, American Alligator)*, 50 CFR 23.68, 50 CFR 23.69, and 50 CFR 23.70—For States and Tribes that set up and maintain management programs for these species to protect from over-harvest, requesting approval of their management plans allows the Division of Scientific Authority to make programmatic findings under specific requirements that allow the export of these species under CITES. These programmatic findings streamline the permit process for applicants.

• *Report for Furbearer CITES Export Programs*, 50 CFR 23.69(b)(3)—A State or Tribe with an approved CITES export program must submit a CITES furbearer activity report that provides information as to whether or not the population status or management of the species has changed within the State or Tribal

lands. If information has not changed, the report may reference information provided in previous years. Range-wide non-detriment findings are re-evaluated at least every 5 years, or sooner if information indicates that there has been a change in the status of management of the species that might lead to different treatment of the species.

• *Report for American Alligator CITES Export Program*, 50 CFR 23.70(c)(2)—A State or Tribe with an approved CITES export program must submit a CITES American alligator activity report that provides information as to whether or not the population status or management of the species has changed within the State or Tribal lands. If information has not changed, the report may reference information provided in previous years. Range-wide non-detriment findings are re-evaluated at least every 5 years, or sooner if information indicates that there has been a change in the status of management of the species that might lead to different treatment of the species.

• *Report—Plant Rescue Program Receipt and Condition of Specimens*, 50 CFR 23.79—Seized plants that are placed with a registered Plant Rescue Center may be required to account periodically for the donation or loan regarding the receipt of those specimens and the condition in which they arrived.

• *Report Take (Grizzly Bears)*, 50 CFR 17.40(b)—Grizzly bears taken in self-defense or in the defense of others by individuals or their designee in Montana or Wyoming must report the take to the Service's Office of Law Enforcement within 5 days of the said take. If taken in Idaho or Washington said take must also be reported to the appropriate State and Tribal authorities.

• *Report Take (Mountain Lion)*, 50 CFR 17.40(h)—Mountain lions taken in the State of Florida must be reported to the Service's Office of Law Enforcement within 5 days of the said take.

• *Application—Participation in the Plant Rescue Center Program*, 50 CFR 23.79—The Plant Rescue Center Program is established to place confiscated live plants quickly to prevent physical damage to plants. Entities that wish to participate may submit a letter requesting participation. A request to become part of the Plant Rescue Center Program comes via a letter. The requestor must address the requirements in the regulation.

• *Marking/Labeling Requirements*—The following contain marking/labeling requirements outlined in the regulations. We do not collect information on this; rather, if items

show up with these species without the necessary labelling/markings and permits, they will be seized.

○ Vicuna Products, Beluga Sturgeon Caviar, and African Elephant Sport Hunted Trophies, 50 CFR 23.75, 50 CFR 23.71, 50 CFR 17.44(y), and 50 CFR 17.40(e)
○ Beluga Sturgeon Exemption, 50 CFR 17.44(y)(3)
○ Wildlife Hybrid Exemption, 50 CFR 23.43
○ Exception to Use of CITES Specimens after Import, 50 CFR 23.55

• *International Reporting Requirements*—The Service imposes international reporting requirements specified in 50 CFR parts 13, 17, 18, and 23. These reporting requirements are associated with the findings we must make under the various laws, treaties, and regulations administered by the Service. This may include consultation on sustainable use, population data, management practices, and verification of information received from other sources. The Service does not provide a form for this collection; rather, we request specific information based on the most current data we hold, in order to enable us to update or clarify that data. We estimate the annual burden associated with the international reporting requirements to be 24 responses and 192 burden hours. There are no nonhour burden costs associated with the international reporting requirements.

• *Recordkeeping Requirements*, 50 CFR 13.46—Permittees must keep records of all activities conducted under certain permits, including those of subpermittees carried out under the authority of the permit, as well as documentation of any take that occurs from the permitted activity and the data gathered through surveys and monitoring. We use these data to assess the conservation benefits or detriments to plant and wildlife populations. Additionally, under 50 CFR 13.47, the Service may enter a permittee's premises at any reasonable hour to inspect any wildlife or plant held or to inspect, audit, or copy any permits, books, or records required to be kept by these regulations for compliance under the permit conditions.

• *Amendments to Permit Applications*—Amendments to a permit may be requested by the permittee, or the Service may amend a permit for just cause upon a written finding of necessity. Amendments comprise changes to the permit authorization or conditions. The permittee must apply for amendments to the permit by submitting a description of the modified

activity and the changed impacts. These are considered substantive amendments and incur a fee. For CITES permits, if there is a change in the legal individual or business name, this is considered a substantive amendment and incurs a fee. For federal permits, a permittee is not required to obtain a new permit if there is a change in the legal individual or business name, or in the mailing address of the permittee. A permittee is required to notify the issuing office within 10 calendar days of such change. This provision does not authorize any change in location of the conduct of the permitted activity when approval of the location is a qualifying condition of the permit.

The public may access the currently approved versions of all forms contained in this information collection at https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202302-1018-009.

Title of Collection: Federal Fish and Wildlife Permit Applications and Reports—Management Authority, 50 CFR parts 13, 15, 16, 17, 18, 22, 23.

OMB Control Number: 1018-0093.

Form Numbers: 3-200-19 through 3-200-37, 3-200-39 through 3-200-42, 3-200-43a through 3-200-43d, 3-200-46 through 3-200-53, 3-200-58, 3-200-61, 3-200-64 through 3-200-66, 3-200-69, 3-200-70, 3-200-73 through 3-200-76, 3-200-80, and 3-200-85 through 3-200-88.

Type of Review: Extension without change of a currently approved collection.

Description of Respondents/Affected Public: Individuals (including hunters); private sector (including biomedical companies, circuses, zoological parks, botanical gardens, nurseries, museums, universities, antique dealers, exotic pet industry, taxidermists, commercial importers/exporters of wildlife and plants, freight forwarders/brokers); and State, local, Tribal, and Federal government agencies.

Estimated Number of Annual Respondents: 6,139.

Estimated Number of Annual Responses: 8,946.

Estimated Completion Time per Response: Varies from 15 minutes to 40 hours, depending on activity.

Estimated Annual Burden Hours: 9,035.

Respondent's Obligation: Required to obtain or retain a benefit.

Frequency of Collection: On occasion or annually, depending on activity.

Total Estimated Annual Nonhour Burden Cost: \$576,387 for costs associated with application processing fees, which range from \$0 to \$250. There is no fee for reports. State, local, Tribal, and Federal government agencies

and those acting on their behalf are exempt from processing fees.

The authority for this action is the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

Madonna Baucum,

Information Collection Clearance Officer, U.S. Fish and Wildlife Service.

[FR Doc. 2026-09805 Filed 5-14-26; 8:45 am]

BILLING CODE 4333-15-P

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Service

[Docket No. FWS-R5-FAC-2026-1684; FXFR13350500000-267-FF05F24400; OMB Control Number 1018-0127]

Agency Information Collection Activities; Submission to the Office of Management and Budget; Horseshoe Crab and Cooperative Fish Tagging Programs

AGENCY: Fish and Wildlife Service, Interior.

ACTION: Notice of information collection; request for comment.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995 (PRA), we, the U.S. Fish and Wildlife Service (Service), are proposing to renew a currently approved information collection without change.

DATES: Interested persons are invited to submit comments on or before June 15, 2026.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to <https://www.reginfo.gov/public/do/PRAMain>. Find this particular information collection by selecting “Currently under Review—Open for Public Comments” or by using the search function. Please provide a copy of your comments to the Service Information Collection Clearance Officer, U.S. Fish and Wildlife Service, MS: PRB (JAO/3W), 5275 Leesburg Pike, Falls Church, VA 22041-3803 (mail); or by email to Info_Coll@fws.gov. Please reference “1018-0127” in the subject line of your comments.

FOR FURTHER INFORMATION CONTACT:

Madonna L. Baucum, Service Information Collection Clearance Officer, by email at Info_Coll@fws.gov, or by telephone at (703) 358-2503. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States

should use the relay services offered within their country to make international calls to the point-of-contact in the United States. You may also view the information collection request (ICR) at <https://www.reginfo.gov/public/do/PRAMain>.

SUPPLEMENTARY INFORMATION: In accordance with the Paperwork Reduction Act (PRA; 44 U.S.C. 3501 *et seq.*) and its implementing regulations at 5 CFR part 1320, all information collections require approval under the PRA. We may not conduct or sponsor, and you are not required to respond to, a collection of information unless it displays a currently valid Office of Management and Budget (OMB) control number.

On February 11, 2026, we published in the **Federal Register** (91 FR 6245) a notice of our intent to request that OMB approve this information collection. In that notice, we solicited comments for 60 days, ending on April 13, 2026. We also published the **Federal Register** notice on *Regulations.gov* (Docket No. FWS-R5-FAC-2025-1529). We received the following comments in response to that notice:

Comment 1: Electronic comment received April 13, 2026 via *Regulations.gov* (FWS-R5-FAC-2025-1529-0002) from Thomas Mullikin, Director with the State of South Carolina Division of Natural Resources (DNR). The South Carolina DNR supports continuation of the collection and provided the following recommendation:

“Expand coastwide tagging studies to better define movement (extent of range), population mixing among regions (including greater tag and recapture effort in the Gulf of Mexico), mortality and maximum age. Mortality estimates from tagging are particularly important when other estimates are not available, and they should be emphasized in future assessments. These data will support use of the MARK and JSC models outside of Delaware Bay and inform applicability of management zones.”

Agency Response to Comment 1: Currently, there are tagging efforts from the Gulf around the east coast of Florida and up to Massachusetts. The Service pays for over 20,000 tags that are distributed each year to cooperating tagging programs. The Service’s Maryland Fish and Wildlife Conservation Office (MDFWCO) is currently without a tagging database manager and the duties are split amongst the few permanent staff remaining. Increasing tagging efforts requires additional funding, but more

importantly, increased staff to assist in the processing of the rewards and data. The Service will retain this recommendation for future consideration should staffing and funding allow its implementation.

Comment 2: Electronic comment submitted anonymously on April 13, 2026, via *Regulations.gov* (FWS-R5-FAC-2025-1529-0003). The commenter encouraged the Service to continue to protect the species identified in the collection.

Agency Response to Comment 2: The commenter did not address the information collection requirements; therefore, no response is required.

As part of our continuing effort to reduce paperwork and respondent burdens, we are again soliciting comments from the public and other Federal agencies on the proposed ICR that is described below. We are especially interested in public comments addressing the following:

(1) Whether or not the collection of information is necessary for the proper performance of the functions of the agency, including whether or not the information will have practical utility;

(2) The accuracy of our estimate of the burden for this collection of information, including the validity of the methodology and assumptions used;

(3) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(4) How might the agency minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of response.

Comments that you submit in response to this notice are a matter of public record. Before including your address, phone number, email address, or other personally identifiable information in your comment, you should be aware that your entire comment—including your personally identifiable information—may be publicly available at any time. While you can ask us in your comment to withhold your personally identifiable information from public review, we cannot guarantee that we will be able to do so.

Abstract: The Fish and Wildlife Act of 1956 (16 U.S.C. 742f) requires the Department of the Interior to take steps “required for the development, advancement, management, conservation, and protection of fish and wildlife resources.” In addition, the Endangered Species Act of 1973 (16

U.S.C. 1531–1544), the Fish and Wildlife Coordination Act (16 U.S.C. 661–666c–1), and the Anadromous Fish Conservation Act (16 U.S.C. 757a–757f) each authorize the Department of the Interior to enter into cooperative agreements with stakeholders to protect and conserve fishery resources. The Service’s MDFWCO will collect information on horseshoe crabs and fishes captured by the public. Tag information provided by the public will be used to estimate recreational and commercial harvest rates, estimate natural mortality rates, and evaluate migratory patterns, length and age frequencies, and effectiveness of current regulations.

Horseshoe crabs play a vital role commercially, biomedically, and ecologically along the Atlantic coast. Horseshoe crabs are commercially harvested and used as bait in eel and conch fisheries. Biomedical companies along the coast also collect and bleed horseshoe crabs at their facilities. *Limulus ameibocyte lysate*, derived from horseshoe crab blood, is used by pharmaceutical companies to test sterility of products. Finally, migratory shorebirds also depend on the eggs of horseshoe crabs to refuel on their migrations from South America to the Arctic. One bird in particular, the rufa red knot (*Calidris canutus rufa*), feeds primarily on horseshoe crab eggs during its stopover. Effective January 12, 2015, the rufa red knot was listed as threatened under the Endangered Species Act (79 FR 73706; December 11, 2014).

In 1998, the Atlantic States Marine Fisheries Commission (ASMFC), a management organization with representatives from each State on the Atlantic coast, developed a horseshoe crab management plan. The ASMFC plan and its subsequent addenda established mandatory State-by-State harvest quotas and created the 1,500-square-mile Carl N. Shuster, Jr., Horseshoe Crab Sanctuary off the mouth of Delaware Bay.

Restrictive measures have been taken in recent years; however, populations are increasing slowly. Because horseshoe crabs do not breed until they are 9 years or older, it may take some time before the population measurably increases. Federal and State agencies, universities, and biomedical companies participate in a Horseshoe Crab Cooperative Tagging Program. The Service’s MDFWCO maintains the information collected under this program and uses it to evaluate migratory patterns, survival, and abundance of horseshoe crabs.

Members of the public who recover tagged crabs provide the following information using Form 3–2310 (Horseshoe Crab Recapture Report):

- Tag number;
- Whether or not tag was removed;
- Condition of crab;
- Date captured/found;
- Crab fate;
- Finder type;
- Capture method;
- Capture location;
- Reporter information; and
- Comments.

Agencies that tag and release the crabs complete Form 3–2311 (Horseshoe Crab Tagging) and provide the Service with:

- Organization name;
- Contact person name;
- Tag number;
- Sex of crab;
- Prosomal width; and
- Capture site, latitude, longitude, waterbody, State, and date.

At the request of the public participant reporting the tagged crab, we send data pertaining to the tagging program and tag and release information on the horseshoe crab tag that was found.

Fish will be tagged with an external tag containing a toll-free number for the Service’s MDFWCO. Tagged species of fish include striped bass (*Morone saxatilis*), Atlantic sturgeon (*Acipenser oxyrinchus*), shortnose sturgeon (*Acipenser brevirostrum*), northern snakehead (*Channa argus*), and American shad (*Alosa sapidissima*). Members of the public reporting a tag will be asked a series of questions pertaining to the fish that they are referencing. The Service uses the following four forms to collect information used by fisheries managers throughout the Atlantic Coast, depending on species:

- Form 3–2493, “American Shad Recapture Report”;
- Form 3–2494, “Snakehead Recapture Report”;
- Form 3–2495, “Striped Bass Recapture Report”;
- Form 3–2496, “Sturgeon Recapture Report.”

American shad are tagged by the New York State Department of Environmental Conservation (NYS DEC), which retains all fish tagging information. The public reports tags to the Service’s MDFWCO, who provides information on tag returns to NYS DEC. Tag return data are used to monitor migration and abundance of shad along the Atlantic coast.

Northern snakehead is an invasive species found in many watersheds

throughout the mid-Atlantic region. It has been firmly established in the Potomac River since at least 2004 and is now in nearly every major Chesapeake Bay tributary. Federal and State biologists within the Chesapeake Bay watershed have been tasked with managing the impacts of northern snakehead. Tagging of northern snakehead is used to learn more about the species so that control efforts can be better informed. Tagging is also used to estimate population sizes to monitor trends in abundance. Recreational and commercial fishers' reporting tags provide information on harvest rates and migration patterns as well.

Striped bass are cooperatively managed by Federal and State agencies through the ASMFC. The ASMFC uses fish tag return data to conduct stock assessments for striped bass. The database and collection are housed within the Service's MFWCO, while the tagging is conducted by State agencies participating in striped bass management. Without this data collection, striped bass management would likely suffer from a lack of quality data. As required by Congress under the Atlantic Striped Bass Conservation Act (16 U.S.C. 5151–5158), striped bass tagging data is used to manage the coast-wide stock.

Sturgeon are tagged by Federal, State, and university biologists and nongovernmental organizations along the U.S. east coast and into Canada, and throughout the United States and Canada. Local populations of Atlantic sturgeon have been listed as either threatened or endangered since 2012, and shortnose populations have been listed since 1973. The information collected provides data on tag retention and sturgeon movement along the east coast. The data are also used to address some of the management and research needs identified by amendment 1 to the ASMFC's Atlantic Sturgeon Fishery Management Plan.

Data collected across these tagging programs are similar in nature, including:

- Tag number;
- Date of capture;
- Waterbody of capture;
- Capture method;
- Fish length, weight, and fate (whether released or killed); and
- Fisher type (e.g., commercial, recreational).

In addition, if the tag reporter desires more information on their tagged fish or wants the modest reward that comes with reporting a tag, we ask for their address so that we can mail them the information.

The public may request a copy of any form contained in this information collection by sending a request to the Service Information Collection Clearance Officer (see **ADDRESSES**).

Title of Collection: Horseshoe Crab and Cooperative Fish Tagging Programs.

OMB Control Number: 1018–0127.

Form Number: Forms 3–2310, 3–2311, and 3–2493 through 3–2496.

Type of Review: Extension without change of a currently approved collection.

Respondents/Affected Public:

Respondents include Federal and State agencies, universities, and biomedical companies who conduct tagging, and members of the general public who provide recapture information.

Total Estimated Number of Annual Respondents: 1,982.

Total Estimated Number of Annual Responses: 4,098.

Estimated Completion Time per Response: Varies from 5 minutes to 95 hours, depending on activity.

Total Estimated Number of Annual Burden Hours: 2,352.

Respondent's Obligation: Voluntary.

Frequency of Collection: Respondents will provide information on occasion, upon tagging or upon encounter with a tagged crab or fish.

Total Estimated Annual Nonhour Burden Cost: None.

The authority for this action is the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

Madonna Baucum,

Information Collection Clearance Officer, U.S. Fish and Wildlife Service.

[FR Doc. 2026–09751 Filed 5–14–26; 8:45 am]

BILLING CODE 4333–15–P

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Service

[Docket No. FWS–HQ–IA–2026–0298; FXIA16710900000–267–FF09A30000]

Foreign Endangered Species; Receipt of Permit Applications

AGENCY: Fish and Wildlife Service, Interior.

ACTION: Notice of receipt of permit applications; request for comments.

SUMMARY: We, the U.S. Fish and Wildlife Service (Service), invite the public to comment on applications to conduct certain activities with foreign species that are listed as endangered under the Endangered Species Act (ESA). With some exceptions, the ESA prohibits activities with listed species unless Federal authorization is issued that allows such activities. The ESA also

requires that we invite public comment before issuing permits for any activity otherwise prohibited by the ESA with respect to any endangered species.

DATES: Comments will be accepted on or before June 15, 2026. Comments submitted electronically using the Federal eRulemaking Portal (see **ADDRESSES**, below) must be received by 11:59 p.m. eastern time on the closing date.

To ensure your comment is received and considered, you must submit it using one of the methods identified in the **ADDRESSES** section of this document. Comments submitted through any method not authorized in this document, or sent to an address not listed here, will not be considered.

ADDRESSES:

Obtaining Documents: The applications, application supporting materials, and any comments and other materials that we receive will be available for public inspection at <https://www.regulations.gov> in Docket No. FWS–HQ–IA–2026–0298.

Comment submission: All submissions must include the docket number [FWS–HQ–IA–2026–0298] for this document. You must submit comments using one of the following methods:

- *Electronic submission:* Federal eRulemaking Portal at: <https://www.regulations.gov>. In the Search box, enter FWS–HQ–IA–2026–0298, which is the docket number for this action. Then click the Search button. On the resulting page, you may submit a comment by clicking on “Comment.” Please ensure that you have found the correct document before submitting your comments.

- *U.S. mail:* Public Comments Processing, Attn: Docket No. FWS–HQ–IA–2026–0298, Policy and Regulations Branch, U.S. Fish and Wildlife Service, MS: PRB (JAO/3W), 5275 Leesburg Pike, Falls Church, VA 22041–3803.

Comments submitted through any method not authorized in this document, or sent to an address not listed here, will not be considered. We will not accept comments via email, fax, or hand delivery. We are not required to consider comments that are submitted after the comment period ends or that are submitted via a method outside of these instructions. Comments containing profanity, vulgarity, threats, or other inappropriate content will not be considered.

We will post all comments at <https://www.regulations.gov>. You may request that we withhold personal identifying information from public review; however, we cannot guarantee that we

will be able to do so. For more information, see Public Comment Procedures under **SUPPLEMENTARY INFORMATION**.

FOR FURTHER INFORMATION CONTACT: Timothy MacDonald, by phone at 703–358–2185 or via email at DMAFR@fws.gov. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States.

SUPPLEMENTARY INFORMATION:

I. Public Comment Procedures

A. How do I comment on submitted applications?

We invite the public and local, State, Tribal, and Federal agencies to comment on these applications. Before issuing any of the requested permits, we will take into consideration any information that we receive during the public comment period.

You may submit your comments and materials by one of the methods in **ADDRESSES**. We will not consider comments sent by email or to an address not in **ADDRESSES**. We will not consider or include in our administrative record comments we receive after the close of the comment period (see **DATES**).

When submitting comments, please specify the name of the applicant and the permit number at the beginning of your comment. Provide sufficient information to allow us to authenticate any scientific or commercial data you include. The comments and recommendations that will be most useful and likely to influence agency decisions are: (1) Those supported by quantitative information or studies; and (2) those that include citations to, and analyses of, the applicable laws and regulations.

B. May I review comments submitted by others?

You may view and comment on others' public comments at <https://www.regulations.gov> unless our allowing so would violate the Privacy Act (5 U.S.C. 552a) or Freedom of Information Act (5 U.S.C. 552).

C. Who will see my comments?

If you submit a comment at <https://www.regulations.gov>, your entire comment, including any personal identifying information, will be posted on the website. If you submit a hard copy comment that includes personal

identifying information, such as your address, phone number, or email address, you may request at the top of your document that we withhold this information from public review. However, we cannot guarantee that we will be able to do so. Moreover, all submissions from organizations or businesses, and from individuals identifying themselves as representatives or officials of organizations or businesses, will be made available for public disclosure in their entirety.

II. Background

To help us carry out our conservation responsibilities for affected species, and in consideration of section 10(c) of the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 *et seq.*), we invite public comments on permit applications before final action is taken. With some exceptions, the ESA prohibits certain activities with listed species unless Federal authorization is issued that allows such activities. Permits issued under section 10(a)(1)(A) of the ESA allow otherwise prohibited activities for scientific purposes or to enhance the propagation or survival of the affected species. Service regulations regarding prohibited activities with endangered species, captive-bred wildlife registrations, and permits for any activity otherwise prohibited by the ESA with respect to any endangered species are available in Title 50 of the Code of Federal Regulations, Part 17.

III. Permit Applications

We invite comments on the following applications.

Applicant: Minnesota Zoo, Apple Valley, MN; Permit No. PER26188753

The applicant requests authorization to import up to 25 live, captive-bred larvae of Poweshiek skipperling (*Oarisma poweshiek*) from Assiniboine Park Zoo, Canada annually for the purpose of enhancing the propagation or survival of the species. This notification covers activities to be conducted by the applicant over a 5-year period.

Applicant: John Ball Zoo, Grand Rapids, MN; Permit No. PER27754098

The applicant requests authorization to import up to 25 live, captive-bred larvae of Poweshiek skipperling (*Oarisma poweshiek*) from Assiniboine Park Zoo, Canada annually for the purpose of enhancing the propagation or survival of the species. This notification covers activities to be conducted by the applicant over a 5-year period.

Applicant: St. Augustine Alligator Farm, St. Augustine, FL; Permit No. PER21244412

The applicant requests a permit to export one live, captive-bred female African slender-snouted crocodile (*Crocodylus cataphractus*) to Bristol Zoological Society in Bristol, United Kingdom, for the purpose of enhancing the propagation or survival of the species. This notification is for a single export.

Applicant: St. Augustine Alligator Farm, St. Augustine, FL; Permit No. PER21244411

The applicant requests a permit to export two live, captive-bred male African slender-snouted crocodile (*Crocodylus cataphractus*) to Selwa Adventura in Estepona, Spain, for the purpose of enhancing the propagation or survival of the species. This notification is for a single export.

Applicant: Henry Vilas Zoo, Madison, WI; Permit No. PER27541931

The applicant requests a permit to export one live, captive-bred male golden lion tamarin (*Leontopithecus rosalia*) to Zoo de Granby in Granby, Canada, for the purpose of enhancing the propagation or survival of the species. This notification is for a single export.

Applicant: Turtle Survival Alliance, North Charleston, SC; Permit No. PER27332264

The applicant requests authorization to import, annually, biological samples derived from up to 1,500 individuals, wild or captive-born, of Testudines species, including those that are listed under the Endangered Species Act, from each country within their native range for the purpose of scientific research. This notification covers activities to be conducted by the applicant over a 5-year period.

Applicant: Turtle Conservancy, Ojai, CA; Permit No. PER27229456

The applicant requests a captive-bred wildlife registration under 50 CFR 17.21(g) for the Galapagos tortoise (*Geochelone nigra*) and radiated tortoise (*Geochelone radiata*), to enhance the propagation or survival of the species. This notification covers activities to be conducted by the applicant over a 5-year period.

Applicant: Sam Noble Oklahoma Museum of Natural History, Norman, OK; Permit No. PER25540581

The applicant requests authorization to export and re-import nonliving museum specimens of endangered

species previously accessioned into the applicant's collection for scientific research. This notification covers activities to be conducted by the applicant over a 5-year period.

Multiple Trophy Applicants

The following applicants request permits to import sport-hunted trophies of male bontebok (*Damaliscus pygargus pygargus*) culled from a captive herd in the Republic of South Africa, for the purpose of enhancing the propagation or survival of the species.

- Applicant: Craig Keller, Tunkhannock, PA; Permit No. PER25338256
- Applicant: Brandon Isenhour, Hickory, NC; Permit No. PER26245660
- Applicant: Stephen Isenhour, Hickory, NC; Permit No. PER26245661
- Applicant: Vicki Lynn Lee, Ft. Collins, CO; Permit No. PER26618348
- Applicant: George Sammut, Morgan Hill, CA; Permit No. PER26821388
- Applicant: Collin Griffiths, Missoula, MT; Permit No. PER26935891
- Applicant: Charlie Dally, Rathdrum, ID; Permit No. PER27974123

IV. Next Steps

After the comment period closes, we will make decisions regarding permit issuance. If we issue permits to any of the applicants listed in this notice, we will publish a notice in the **Federal Register**. You may locate the notice announcing the permit issuance by searching <https://www.regulations.gov> for the permit number listed above in this document. For example, to find information about the potential issuance of Permit No. 12345A, you would go to [regulations.gov](https://www.regulations.gov) and search for "12345A".

V. Authority

We issue this notice under the authority of the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 *et seq.*), and its implementing regulations.

Scott Carleton,

Acting Chief, Branch of Permits, Division of Management Authority.

[FR Doc. 2026-09807 Filed 5-14-26; 8:45 am]

BILLING CODE 4333-15-P

DEPARTMENT OF THE INTERIOR

Geological Survey

[Docket No. USGS-2025-0303; OMB Control Number 1028-0098; GX26MR00UTCWD00]

Agency Information Collection Activities; Submission to the Office of Management and Budget for Review and Approval; Nonindigenous Aquatic Species Sighting Reporting Form and Alert Registration Form

AGENCY: U.S. Geological Survey, Interior.

ACTION: Notice of information collection; request for comment.

SUMMARY: In accordance with the Paperwork Reduction Act (PRA) of 1995, the U.S. Geological Survey (USGS) is proposing to renew an information collection.

DATES: Interested persons are invited to submit comments on or before June 15, 2026.

ADDRESSES: You may submit comments by one of the following methods:

■ **Internet:** <https://www.regulations.gov>. Search for and submit comments on Docket No. USGS-2025-0303.

■ **U.S. Mail:** USGS, Information Collections Clearance Officer, 12201 Sunrise Valley Drive, MS 159, Reston, VA 20192.

FOR FURTHER INFORMATION CONTACT:

Matthew Neilson by email at mneilson@usgs.gov, or by telephone at +1 352-517-4091. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside the United States should use the relay services offered within their country to make international calls to the point-of-contact in the United States. You may also view the ICR at <http://www.reginfo.gov/public/do/PRAMain>.

SUPPLEMENTARY INFORMATION: In accordance with the PRA of 1995 (44 U.S.C. 3501 *et seq.*) and 5 CFR 1320.8(d)(1), the USGS provides the public and other Federal agencies with an opportunity to comment on new, proposed, revised, and continuing collections of information. This helps us assess the impact of our information collection requirements and minimize the public's reporting burden. It also helps the public understand our information collection requirements and provide the requested data in the desired format.

A **Federal Register** notice with a 60-day public comment period soliciting

comments on this collection of information was published on March 13, 2026 (91 FR 12440). No comments were received.

As part of our continuing effort to reduce paperwork and respondent burdens, we are again soliciting comments from the public and other Federal agencies on the proposed ICR that is described below. We are especially interested in public comments addressing the following:

(1) Whether or not the collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility.

(2) The accuracy of our estimate of the burden for this collection of information, including the validity of the methodology and assumptions used.

(3) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(4) How the agency might minimize the burden of the collection of information on those who are to respond, including using appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of response.

Comments that you submit in response to this notice are a matter of public record. Before including your address, phone number, email address, or other personally identifiable information (PII) in your comment, you should be aware that your entire comment—including your PII—may be made publicly available at any time. While you can ask us in your comment to withhold your PII from public review, we cannot guarantee that we will be able to do so.

Abstract: America is under siege by many harmful non-native species of plants, animals, and microorganisms. More than 6,500 nonindigenous species are now established in the United States, posing risks to native species, valued ecosystems, and human and wildlife health. These invaders extract a huge cost, an estimated \$120 billion per year, to mitigate their harmful impacts. The current annual environmental, economic, and health-related costs of invasive species exceed those of all other natural disasters combined.

Through its Invasive Species Program (http://www.usgs.gov/ecosystems/invasive_species/), the USGS plays an important role in federal efforts to combat invasive species in natural and semi-natural areas through early detection and assessment of newly established invaders; monitoring of invading populations; and improving

understanding of the ecology of invaders and factors in the resistance of habitats to invasion. The USGS provides the tools, technology, and information supporting efforts to prevent, contain, control, and manage invasive species nationwide. To meet user needs, the USGS also develops methods for compiling and synthesizing accurate and reliable data and information on invasive species for inclusion in a distributed and integrated web-based information system.

As part of the USGS Invasive Species Program, the Nonindigenous Aquatic Species (NAS) database (<http://nas.er.usgs.gov/>) functions as a repository and clearinghouse for occurrence information on nonindigenous aquatic species from across the United States. It contains locality information on approximately 1,390 species of vertebrates, invertebrates, and vascular plants introduced since 1850. Taxa include foreign species as well as those native to North America that have been transported outside of their natural range. The NAS website provides immediate access to new occurrence records through a real-time interface with the NAS database. Visitors to the website can use a set of predefined queries to obtain lists of species according to state or hydrologic basin of interest. Fact sheets, distribution maps, and information on new occurrences are continually posted and updated. Dynamically generated species distribution maps show the spatial accuracy of the locations reported, population status, and links to more information about each report. The NAS database will collect information on new species occurrences from the public using a sighting report form, including the species observed, location and date of observation, optional contact information (for any subsequent follow up discussion on observation), and optional images or other media files that provide supporting evidence of the organism.

The NAS website also allows users to sign up for email alert notifications of new species observations of interest matching several taxonomic or geographic filters through an alert registration form. The information collected includes a name, email address, a user-specific password, and notification preferences.

Title of Collection: Nonindigenous Aquatic Species Sighting Reporting Form and Alert Registration Form.

OMB Control Number: 1028–0098.
Form Number: None.

Type of Review: Renewal of a currently approved collection.

Respondents/Affected Public: Federal, State, and local government employees, university personnel, and private individuals.

Total Estimated Number of Annual Responses: We estimate approximately 350 respondents per year for the sighting report form (some respondents will submit multiple reports per year), and 50 respondents (*i.e.*, new registrations) per year for the alert registration form.

Total Estimated Number of Annual Responses: We estimate 700 responses per year for the sighting report form, and 85 responses (*i.e.*, new registrations) per year for the alert registration form.

Estimated Completion Time per Response: We estimate 3 minutes for the sighting report form, and 1 minute for the alert registration form.

Total Estimated Number of Annual Burden Hours: We estimate 35 hours for the sighting report form, and 2 hours for the alert registration form; a total of 37 hours for the two forms.

Respondent's Obligation: Voluntary.

Frequency of Collection: On occasion.

Total Estimated Annual Non-hour Burden Cost: None.

An agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

The authority for this action is the PRA of 1995 (44 U.S.C. 3501 *et seq.*).

Lynn Copeland,

Center Director.

[FR Doc. 2026–09774 Filed 5–14–26; 8:45 am]

BILLING CODE 4388–11–P

DEPARTMENT OF THE INTERIOR

Bureau of Indian Affairs

[267A2100DD/AAKC001030/
A0A501010.000000]

HEARTH Act Approval of Buena Vista Rancheria of Me-Wuk Indians of California, Leasing Ordinance

AGENCY: Bureau of Indian Affairs, Interior.

ACTION: Notice.

SUMMARY: The Assistant Secretary—Indian Affairs approved the Buena Vista Rancheria of Me-Wuk Indians of California Leasing Ordinance under the Helping Expedite and Advance Responsible Tribal Homeownership Act of 2012 (HEARTH Act). With this approval, the Tribe is authorized to enter into leases without further Secretary of the Interior approval.

DATES: The Assistant Secretary Indian Affairs issued the approval on May 11, 2026.

FOR FURTHER INFORMATION CONTACT: Ms. Carla Clark, Bureau of Indian Affairs, Division of Real Estate Services, 1001 Indian School Road NW, Albuquerque, NM 87104, carla.clark@bia.gov, (702) 484–3233.

SUPPLEMENTARY INFORMATION:

I. Summary of the HEARTH Act

The HEARTH Act makes a voluntary, alternative land leasing process available to Tribes, by amending the Indian Long-Term Leasing Act of 1955, 25 U.S.C. 415. The HEARTH Act authorizes Tribes to negotiate and enter into leases of Tribal trust lands, for various uses, for a primary term of 25 years and, in some cases, up to two renewal terms of 25 years each, without the approval of the Secretary of the Interior (Secretary). The HEARTH Act also authorizes Tribes to enter into leases for residential, recreational, religious or educational purposes for a primary term of up to 75 years without the approval of the Secretary. Participating Tribes develop Tribal Leasing regulations, including an environmental review process, and then must obtain the Secretary's approval of those regulations prior to entering into leases. The HEARTH Act requires the Secretary to approve Tribal regulations if the Tribal regulations are consistent with the Department of the Interior's (Department) leasing regulations at 25 CFR part 162 and provide for an environmental review process that meets requirements set forth in the HEARTH Act. This notice announces that the Secretary, through the Assistant Secretary—Indian Affairs, has approved the Tribal regulations for Buena Vista Rancheria of Me-Wuk Indians of California.

II. Federal Preemption of State and Local Taxes

The Department's regulations governing the surface leasing of trust and restricted Indian lands specify that, subject to applicable Federal law, permanent improvements on leased land, leasehold or possessory interests, and activities under the lease are not subject to State and local taxation and may be subject to taxation by the Indian Tribe with jurisdiction. *See* 25 CFR 162.017. As explained further in the preamble to the final regulations, the Federal government has a strong interest in promoting economic development, self-determination, and Tribal sovereignty. 77 FR 72440, 72447–48 (December 5, 2012). The principles

supporting the Federal preemption of State law in the field of Indian leasing and the taxation of lease-related interests and activities applies with equal force to leases entered into under Tribal leasing regulations approved by the Federal government pursuant to the HEARTH Act.

Section 5 of the Indian Reorganization Act, 25 U.S.C. 5108, preempts State and local taxation of permanent improvements on trust land. *Confederated Tribes of the Chehalis Reservation v. Thurston County*, 724 F.3d 1153, 1157 (9th Cir. 2013) (citing *Mescalero Apache Tribe v. Jones*, 411 U.S. 145 (1973)). Similarly, section 5108 preempts State taxation of rent payments by a lessee for leased trust lands, because “tax on the payment of rent is indistinguishable from an impermissible tax on the land.” See *Seminole Tribe of Florida v. Stranburg*, 799 F.3d 1324, 1331, n.8 (11th Cir. 2015). In addition, as explained in the preamble to the revised leasing regulations at 25 CFR part 162, Federal courts have applied a balancing test to determine whether State and local taxation of non-Indians on the reservation is preempted. *White Mountain Apache Tribe v. Bracker*, 448 U.S. 136, 143 (1980). The *Bracker* balancing test, which is conducted against a backdrop of “traditional notions of Indian self-government,” requires a particularized examination of the relevant State, Federal, and Tribal interests. We hereby adopt the *Bracker* analysis from the preamble to the surface leasing regulations, 77 FR at 72,447–48, as supplemented by the analysis below.

The strong Federal and Tribal interests against State and local taxation of improvements, leaseholds, and activities on land leased under the Department’s leasing regulations apply equally to improvements, leaseholds, and activities on land leased pursuant to Tribal leasing regulations approved under the HEARTH Act. Congress’s overarching intent was to “allow Tribes to exercise greater control over their own land, support self-determination, and eliminate bureaucratic delays that stand in the way of homeownership and economic development in Tribal communities.” 158 Cong. Rec. H. 2682 (May 15, 2012). The HEARTH Act was intended to afford Tribes “flexibility to adapt lease terms to suit [their] business and cultural needs” and to “enable [Tribes] to approve leases quickly and efficiently.” H. Rep. 112–427 at 6 (2012).

Assessment of State and local taxes would obstruct these express Federal policies supporting Tribal economic

development and self-determination, and also threaten substantial Tribal interests in effective Tribal government, economic self-sufficiency, and territorial autonomy. See *Michigan v. Bay Mills Indian Community*, 572 U.S. 782, 810 (2014) (Sotomayor, J., concurring) (determining that “[a] key goal of the Federal Government is to render Tribes more self-sufficient, and better positioned to fund their own sovereign functions, rather than relying on Federal funding”). The additional costs of State and local taxation have a chilling effect on potential lessees, as well as on a Tribe that, as a result, might refrain from exercising its own sovereign right to impose a Tribal tax to support its infrastructure needs. See *id.* at 810–11 (finding that State and local taxes greatly discourage Tribes from raising tax revenue from the same sources because the imposition of double taxation would impede Tribal economic growth).

Similar to BIA’s surface leasing regulations, Tribal regulations under the HEARTH Act pervasively cover all aspects of leasing. See 25 U.S.C. 415(h)(3)(B)(i) (requiring Tribal regulations be consistent with BIA surface leasing regulations). Furthermore, the Federal government remains involved in the Tribal land leasing process by approving the Tribal leasing regulations in the first instance and providing technical assistance, upon request by a Tribe, for the development of an environmental review process. The Secretary also retains authority to take any necessary actions to remedy violations of a lease or of the Tribal regulations, including terminating the lease or rescinding approval of the Tribal regulations and reassessing lease approval responsibilities. Moreover, the Secretary continues to review, approve, and monitor individual Indian land leases and other types of leases not covered under the Tribal regulations according to 25 CFR part 162.

Accordingly, the Federal and Tribal interests weigh heavily in favor of preemption of State and local taxes on lease-related activities and interests, regardless of whether the lease is governed by Tribal leasing regulations or 25 CFR part 162. Improvements, activities, and leasehold or possessory interests may be subject to taxation by Buena Vista Rancheria of Me-Wuk Indians of California.

William Henry Kirkland III,

Assistant Secretary—Indian Affairs.

[FR Doc. 2026–09719 Filed 5–14–26; 8:45 am]

BILLING CODE 4337–15–P

DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

[OMB Control Number 1010–0106; Docket ID: BOEM–2026–0496]

Agency Information Collection Activities; Oil Spill Financial Responsibility for Offshore Facilities

AGENCY: Bureau of Ocean Energy Management, Interior.

ACTION: Notice of information collection; request for comment.

SUMMARY: In accordance with the Paperwork Reduction Act of 1995, the Bureau of Ocean Energy Management (BOEM) proposes this information collection request (ICR) to revise Office of Management and Budget (OMB) control number 1010–0106.

DATES: Comments must be received by BOEM no later than July 14, 2026.

ADDRESSES: Send written comments on this ICR by mail to the BOEM Information Collection Clearance Officer, Anna Atkinson, Bureau of Ocean Energy Management, 45600 Woodland Road, Sterling, Virginia 20166; or by email to anna.atkinson@boem.gov. Please reference OMB control number 1010–0106 in the subject line of your comments. You may comment on the ICR and view related documents by searching for the docket number “BOEM–2026–0496” at <https://www.regulations.gov>.

FOR FURTHER INFORMATION CONTACT:

Anna Atkinson by email at anna.atkinson@boem.gov, or by telephone at 703–787–1025. Individuals in the United States who are deaf, deafblind, hard of hearing, or have a speech disability may dial 711 (TTY, TDD, or TeleBraille) to access telecommunications relay services. Individuals outside of the United States should use the relay services offered within their country to make international calls to the point of contact in the United States.

SUPPLEMENTARY INFORMATION: In accordance with the Paperwork Reduction Act of 1995, BOEM provides the general public and other Federal agencies with an opportunity to comment on new, proposed, revised, and continuing collections of information. This helps BOEM assess the impact of its information collection requirements and minimize the public’s reporting burden. It also helps the public understand BOEM’s information collection requirements and provide the requested data in the desired format.

BOEM is soliciting comments on the proposed ICR described below. BOEM is

especially interested in public comments addressing the following issues: (1) is the collection necessary to the proper functions of BOEM; (2) what can BOEM do to ensure that this information is processed and used in a timely manner; (3) is the burden estimate accurate; (4) how might BOEM enhance the quality, utility, and clarity of the information to be collected; and (5) how might BOEM minimize the burden of this collection on the respondents, including minimizing the burden through the use of information technology?

Comments that you submit in response to this notice are a matter of public record. BOEM will include or summarize each comment in its ICR to OMB for approval of this information collection. You should be aware that your entire comment—including your address, phone number, email address, or other personally identifiable information included in your comment—may be made publicly available at any time. Even if BOEM withholds your personally identifiable information in the context of this ICR, your comment is subject to the Freedom of Information Act (FOIA) (5 U.S.C. 552). Your information will only be withheld if a determination is made that one of the FOIA exemptions to disclosure applies. Such a determination will be made in accordance with the Department of the Interior's (DOI) FOIA implementing regulations (43 CFR part 2) and applicable law.

In order for BOEM to consider withholding from disclosure your personally identifiable information, you must identify, in a cover letter, any information contained in the submittal of your comments that, if released, would constitute a clearly unwarranted invasion of your personal privacy. You must also briefly describe any possible harmful consequences of the disclosure of information, such as embarrassment, injury, or other harm. Note that BOEM will make available for public inspection, in their entirety, all comments submitted by organizations and businesses, or by individuals identifying themselves as representatives of organizations or businesses.

BOEM protects proprietary information in accordance with FOIA, DOI's implementing regulations at 43 CFR part 2, and 30 CFR 580.70, promulgated pursuant to the Outer Continental Shelf Lands Act (OCS Lands Act) (43 U.S.C. 1352(c)).

Title of Collection: 30 CFR part 553, "Oil Spill Financial Responsibility for Offshore Facilities."

Abstract: Title I of the Oil Pollution Act of 1990 (OPA) (33 U.S.C. 2701 *et seq.*) provides at section 1016 that oil spill financial responsibility (OSFR) for offshore facilities be established and maintained according to methods determined acceptable to the President. Section 1016 of the OPA, as amended, supersedes the offshore facility oil spill financial responsibility provisions of the OCS Lands Act. These authorities and responsibilities are among those delegated to BOEM under which BOEM issues regulations governing oil and gas and sulfur operations in the OCS.

This information collection request addresses the regulations at 30 CFR 553, Oil Spill Financial Responsibility for Offshore Facilities. BOEM collects the information to ensure proper and efficient administration of its oil spill financial responsibility requirements. BOEM collects this information to:

- Provide a standard method for establishing whether a party is required to demonstrate oil spill financial responsibility for offshore facilities;
- Identify and maintain a record of those offshore facilities that have a potential oil spill liability requiring the demonstration of oil spill financial responsibility;
- Establish and maintain a continuous record of evidence of oil spill financial responsibility to assure payment of claims for oil spill cleanup and damages resulting from operations conducted on covered offshore facilities and from the transportation of oil from covered offshore facilities;
- Establish and maintain a continuous record of responsible parties, as defined in Title I of the Oil Pollution Act of 1990, and their agents or authorized representatives for oil spill financial responsibility for covered offshore facilities; and
- Establish and maintain a continuous record of persons to contact and U.S. agents for service of process for claims associated with oil spills from covered offshore facilities.

BOEM uses the information collected under 30 CFR part 553 to verify compliance with section 1016 of OPA. This information is necessary to confirm that designated applicants can cover cleanup costs and damages resulting from hydrocarbon discharges originating from offshore facilities. BOEM uses these forms to ensure the effective and efficient administration of oil spill financial responsibility requirements.

BOEM is revising Forms BOEM-1019 (Insurance Certificate), BOEM-1020 (Surety Bond), and BOEM-1023 (Financial Guarantee) to reflect updated requirements for oil spill financial responsibility, expressly tying the

applicable coverage period to when an incident begins. The revisions align the forms with BOEM's updated policy that OSFR providers going forward are responsible only for claims arising from incidents that occur on or after the effective date of the applicable OSFR instrument and before its termination. These changes do not apply retroactively to OSFR providers on earlier iterations of the forms.

OMB Control Number: 1010-0106.

Form Number(s):

- BOEM-1016, Designated Applicant Information Certification
 - BOEM-1017, Appointment of Designated Applicant
 - BOEM-1018, Self-Insurance Information
 - BOEM-1019, Insurance Certificate
 - BOEM-1020, Surety Bond
 - BOEM-1021, Covered Offshore Facilities
 - BOEM-1022, Covered Offshore Facility Changes
 - BOEM-1023, Financial Guarantee
 - BOEM-1025, Independent Designated Applicant Information Certification
- Type of Review:* Revision of a currently approved information collection.

Respondents/Affected Public:

Designated applicants and holders of leases, permits, right-of-way grants, and right-of-use and easement grants on the OCS and in State coastal waters who are responsible parties. Other respondents may be designated applicants and brokers, bonding companies, and guarantors. Some respondents may also be claimants.

Total Estimated Number of Annual Responses: 2,223 responses.

Total Estimated Number of Annual Burden Hours: 28,245 hours.

Respondent's Obligation: Mandatory
Frequency of Collection: On occasion or annual.

Total Estimated Annual Non-Hour Burden Cost: None.

Estimated Reporting and Recordkeeping Hour Burden:

The current annual burden for this collection is 34,695 hours. BOEM proposes reducing the burden to 28,245 hours due to faster OSFR demonstration methods, such as increased use of self-insurance and financial guarantees, and a decrease in the number of companies maintaining OSFR coverage.

The following table details the regulatory sections containing information collections and their respective hour burden estimates. In the table, the term "oil spill financial responsibility" has been shortened to "OSFR." In calculating the burdens, we assumed the respondents perform

certain requirements in the normal course of their activities. We consider these to be usual and customary and

took that into account in estimating the burden.

BURDEN TABLE

Citation 30 CFR part 553	Reporting requirement	Hour burden	Average number of annual reponses	Annual burden hours
Various sections.	The burdens for all references to submitting evidence of OSFR, as well as required or supporting information, are covered with the forms below.			0
Applicability and Amount of OSFR				
11(a)(1); 40; 41	Form BOEM-1016—Designated Applicant Information Certification	3	250	750
11(a)(1); 40; 41	Form BOEM-1017—Appointment of Designated Applicant.	10	750	7,500
11(a)(1); (2)	Form BOEM-1025—Independent Designated Applicant Information Certification..	2	200	400
12, 45	Request for determination of OSFR applicability. Provide required and supporting information..	2	5	10
15	Notify BOEM of change in ability to comply	1	1	1
15(f)	Provide claimant written explanation of denial	1	15	15
Subtotal .....	.....	.....	1,221	8,676
Methods for Demonstrating OSFR				
21–28; 40	Form BOEM-1018—Self-Insurance Information, including renewals.	3	60	180
30; 40; 41; 43	Form BOEM-1023—Financial Guarantee	2	85	170
29; 40; 41; 43	Form BOEM-1019—Insurance Certificate	115	100	11,500
31; 40; 41; 43	Form BOEM-1020—Surety Bond	24	4	96
32	Proposal and supporting information for alternative method to evidence OSFR (anticipate no proposals, but regulations provide the opportunity).	120	1	120
Subtotal .....	.....	.....	250	12,066
Requirements for Submitting OSFR Information				
14; 40; 41; 43	Form BOEM-1021—Covered Offshore Facilities	10	250	2,500
40–42	Form BOEM-1022—Covered Offshore Facility Changes	10	500	5,000
Subtotal .....	.....	.....	750	7,500
Claims for Oil-Spill Removal Costs and Damages				
Subpart F	Claims: BOEM is not involved in the claims process. Assessment of burden for claims against the Oil Spill Liability Trust Fund (33 CFR parts 135, 136, 137) falls under the responsibility of the U.S. Coast Guard.			0
60(d)	Claimant request for BOEM assistance to determine whether a guarantor may be liable for a claim.	2	1	2
62	Within 15-calendar days of claim, designated applicant must notify the guarantor and responsible parties of the claim.	1	1	1
Subtotal .....	.....	2	3	
Total Burden .....	.....	.....	2,223	28,245

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

The authority for this action is the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

Karen Thundiyil,

Director, Office of Regulatory Affairs, Bureau of Ocean Energy Management.

[FR Doc. 2026–09793 Filed 5–14–26; 8:45 am]

BILLING CODE 4340–98–P

DEPARTMENT OF JUSTICE

[OMB Number 1105–0030]

Agency Information Collection Activities; Proposed eCollection eComments Requested; Title—Attorney General’s Honors Program and Summer Law Intern Program Electronic Applications

AGENCY: Office of Adjudication, Recruitment and Management, Justice

Management Division, Department of Justice.

ACTION: 60-Day notice.

SUMMARY: The Office of Adjudication, Recruitment and Management, Department of Justice (DOJ), will be submitting the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995.

DATES: Comments are encouraged and will be accepted for 60 days until July 14, 2026.

FOR FURTHER INFORMATION CONTACT: If you have additional comments especially on the estimated public burden or associated response time, suggestions, or need a copy of the proposed information collection instrument with instructions or additional information, please contact Deana Willis, Assistant Director, Office of Adjudication, Recruitment and Management, c/o Deana Willis, 450 5th Street NW, Suite 10200, Washington, DC, 20530, 202–514–8900, Deana.Willis@usdoj.gov.

SUPPLEMENTARY INFORMATION: Written comments and suggestions from the public and affected agencies concerning the proposed collection of information are encouraged. Your comments should address one or more of the following four points:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the Bureau of Justice Statistics, including whether the information will have practical utility;
- Evaluate the accuracy of the agency’s estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Evaluate whether and if so how the quality, utility, and clarity of the information to be collected can be enhanced; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

Abstract: Candidates enter information pertinent to legal employment on a series of electronic screens (the number of screens varies by Program; hiring organizations vary by year). The data is then certified and submitted into a database for OARM review and transmission to the components that consider the candidates for legal employment. The candidate is automatically notified by email that his/her application has been received when he/she certifies and submits his/her electronic application, and provided other hiring status updates throughout the hiring cycle.

The Department of Justice developed an in-house electronic application managed by the Office of Chief Information Office (OCIO) Service Delivery Staff (SDS) Application Services Branch (ASB) to replace one previously managed by contract with an outside vendor. There is no impact on the public burden.

The questions presented to applicants are unchanged except for the following deletions:

- Questions relating to geographic preference;
- A checklist of practice area interests;
- Two “check the box” questions about undergraduate awards;
- A “yes/no” question presented only to SLIP-Pathways applicants asking whether the law school transcript listed failing grades;
- Voluntary demographic questions.

The estimate of annualized cost to the federal government is \$71,429.00.

Overview of This Information Collection:

1. *Type of Information Collection:* Revision of a previously approved collection.
2. *The Title of the Form/Collection:* Electronic Applications for the Attorney

General’s Honors Program and the Summer Law Intern Program.

3. *The agency form number, if any, and the applicable component of the Department sponsoring the collection:* N/A

4. *Affected public who will be asked or required to respond, as well as the obligation to respond:* Affected Public-Individuals. The obligation to respond is voluntary.

5. *An estimate of the total number of respondents and the amount of time estimated for an average respondent to respond:* An estimated 1900 candidates apply to the HP & SLIP annually. It is estimated that the electronic application takes approximately one hour to complete and submit. It is further estimated that it takes an average of an additional 45 minutes to review the instructions, search existing data sources, gather and maintain the data needed, and complete and review the information collected. In addition, approximately 600 HP applicants will complete a Virtual Interview Scheduling form. Each Interview Scheduling Form will take approximately 10 minutes to complete. Thus, the annual burden would be 3425 hours based on 1900 applicants (the average number of applications received in the last several years) x 1.75 response hours (estimated time to collect the appropriate information and complete the Program application) plus 100 hours (time for 600 HP candidates to complete the Virtual Interview Scheduling Form).

6. *An estimate of the total annual burden (in hours) associated with the collection:* The total annual burden hours for this collection is 3425 hours.

7. *An estimate of the total annual cost burden associated with the collection, if applicable:* \$71,492.

TOTAL BURDEN HOURS

Activity	Number of respondents	Frequency (annually)	Total annual responses	Time per response (minutes)	Total annual burden (hours)
Electronic application (individuals)	1900	1	1900	105	3325
Virtual Interview Scheduling Form (Individuals)	600	1	600	10	100
Unduplicated Totals	2500	.....	2500	.....	3425

If additional information is required contact: Darwin Arceo, Department Clearance Officer, United States Department of Justice, Justice Management Division, Enterprise Portfolio Management, Two Constitution Square, 145 N Street NE, 4W-218, Washington, DC.

Dated: May 13, 2026.

Darwin Arceo,

Department Clearance Officer for PRA, U.S. Department of Justice.

[FR Doc. 2026-09789 Filed 5-14-26; 8:45 am]

BILLING CODE 4410-PB-P

DEPARTMENT OF JUSTICE

Notice of Lodging of Proposed Consent Decree Modification Under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)

On May 12, 2026, the Department of Justice lodged a proposed Consent Decree Modification with the United States District Court for the Western District of Michigan in the lawsuit entitled *United States of America v. Robert Bosch Corp.*, Civil Action No. 1:99-CV-414.

The proposed Modification makes certain changes to a 1999 Consent Decree between the parties. That Decree required the defendant ("Bosch") to pay a portion of the United States' response costs incurred responding to the release or threat of release of hazardous substances at the Bendix Corp./Allied Automotive Superfund Site in St. Joseph, Michigan and to perform the remedial action that EPA selected for the Site. The Decree capped Bosch's liability for reimbursement of EPA's future oversight costs. The proposed Consent Decree Modification removes the Decree's cap on Bosch's future oversight cost liability and recovers a portion of past response costs incurred by EPA at the Site. In return, the United States agrees not to assess stipulated or civil penalties for Bosch's alleged violations of the Decree.

The publication of this notice opens a period for public comment on the Consent Decree Modification. Comments should be addressed to the Assistant Attorney General, Environment and Natural Resources Division, and should refer to *United States of America v. Robert Bosch Corp.*, D.J. Ref. No. 90-11-2-06028. All comments must be submitted no later than thirty (30) days after the publication date of this notice. Comments may be submitted either by email or by mail:

<i>To submit comments:</i>	<i>Send them to:</i>
By email	pubcomment-ees.enrd@usdoj.gov .
By mail	Assistant Attorney General, U.S. DOJ—ENRD, P.O. Box 7611, Washington, DC 20044-7611.

Any comments submitted in writing may be filed by the United States in whole or in part on the public court docket without notice to the commenter.

During the public comment period, the Consent Decree Modification may be downloaded and examined from this Justice Department website: <https://www.justice.gov/enrd/consent-decrees>. If you require assistance accessing the Consent Decree Modification, you may request assistance by email or by mail to the addresses provided above for submitting comments.

Eric D. Albert,

Assistant Section Chief, Environmental Enforcement Section, Environment and Natural Resources Division.

[FR Doc. 2026-09725 Filed 5-14-26; 8:45 am]

BILLING CODE 4410-15-P

DEPARTMENT OF JUSTICE

[OMB Number 1121-0064]

Agency Information Collection Activities; Proposed eCollection eComments Requested; Revision of Currently Approved Collection Survey: Title—Annual Surveys of Probation and Parole

AGENCY: Bureau of Justice Statistics, Department of Justice.

ACTION: 30-Day notice.

SUMMARY: The Bureau of Justice Statistics (BJS), Department of Justice (DOJ), will be submitting the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995.

DATES: Comments are encouraged and will be accepted for 30 days until June 15, 2026.

FOR FURTHER INFORMATION CONTACT: If you have comments especially on the estimated public burden or associated response time, suggestions, or need a copy of the proposed information collection instrument with instructions or additional information, please contact Danielle Kaeble, Bureau of Justice Statistics, 999 N Capitol St. NE, 8th Floor, Washington, DC 20531, bjspra.comments@ojp.usdoj.gov; telephone: 202-307-0765].

SUPPLEMENTARY INFORMATION: The proposed information collection was previously published in the **Federal Register**, volume 91, No. 49, page 12449 on March 13, 2026, allowing a 60-day comment period.

Written comments and suggestions from the public and affected agencies concerning the proposed collection of information are encouraged. Your comments should address one or more of the following four points:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the Bureau of Justice Statistics, including whether the information will have practical utility;
- Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Evaluate whether and if so how the quality, utility, and clarity of the information to be collected can be enhanced; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

Written comments and recommendations for this information collection should be submitted within 30 days of the publication of this notice on the following website www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting "Currently under 30-day Review—Open for Public Comments" or by using the search function and entering either the title of the information collection or the OMB Control Number 1121-0064. This information collection request may be viewed at www.reginfo.gov. Follow the instructions to view Department of Justice, information collections currently under review by OMB.

DOJ seeks PRA authorization for this information collection for three (3) years. OMB authorization for an ICR cannot be for more than three (3) years without renewal. The DOJ notes that information collection requirements submitted to the OMB for existing ICRs receive a month-to-month extension while they undergo review.

Overview of This Information Collection

1. *Type of Information Collection:* Reinstatement, without changes, of a

previously approved collection for which approval has expired.

2. *The Title of the Form/Collection:* Annual Probation Survey and Annual Parole Survey.

3. *The agency form number, if any, and the applicable component of the Department sponsoring the collection:* The Annual Surveys of Probation and Parole (ASPP) contain three forms: CJ-7: Annual Parole Survey CJ-8: Annual Probation Survey and CJ-8M: Annual Probation Survey (Misdemeanant Supervision Only). The applicable component within the Department of Justice is the Bureau of Justice Statistics (BJS), in the Office of Justice Programs. The Bureau of Justice Statistics (BJS) requests clearance to conduct the Annual Surveys of Probation and Parole (ASPP) for a three-year period.

4. *Affected public who will be asked or required to respond, as well as the obligation to respond:* Affected Public Respondents will include state departments of corrections or state

probation and parole authorities, and city and county courts and probation offices for which a central reporting authority does not exist. For the CJ-7 form, the affected public consists of 52 respondents including 50 central reporters, the District of Columbia, and one additional state reporter responsible for keeping records of adult on parole supervision. For the CJ-8 form, the affected public includes 229 reporters including central state respondents, the District of Columbia, and local authorities responsible for keeping records on individuals on probation supervision. For the CJ-8M form, the affected public includes 548 reporters who are all local authorities responsible for keeping records on individuals on probation supervision for a misdemeanor. These reporters indicated they do not supervise any individual on probation for a felony offense and will answer a short survey on population totals.

5. *An estimate of the total number of respondents and the amount of time estimated for an average respondent to respond:* BJS estimates approximately 829 community correctional agencies will complete the ASPP forms CJ-7, CJ-8, or CJ-8M. The estimated time for each respondent is 140 minutes for the CJ-7, 165 minutes for the CJ-8 and 30 minutes for the CJ-8M total including contact verification, survey completion, and data quality follow-up. The burden estimate is based on the paradata BJS collected from the 2024 administration of the ASPP.

6. *An estimate of the total annual burden (in hours) associated with the collection:* The burden hours will be approximately 1,025 hours total for all agencies per year and 3,075 hours total for all agencies over the course of three years.

7. *An estimate of the total annual cost burden associated with the collection, if applicable:* \$559,000.

Activity	Number of respondents	Freq (per annually)	Total annual responses	Time to gather data (mins)	Time per survey (mins)	Time for follow-up (mins)	Total time (mins)	Total annual burden (hrs)
CJ-7	52	1	52	30	95	15	7,280	121
CJ-8	229	1	229	30	120	15	37,785	630
CJ-8M	548	1	548	15	10	5	16,440	274
Unduplicated Totals	829	.....	.....	.....	.....	.....	.....	1,025

If additional information is required contact: Darwin Arceo, Department Clearance Officer, United States Department of Justice, Justice Management Division, Enterprise Portfolio Management, Two Constitution Square, 145 N Street NE, 4W-218, Washington, DC 20530.

Dated: May 13, 2026.

Darwin Arceo,

Department Clearance Officer, Policy and Planning Staff, Justice Management Division, U.S. Department of Justice.

[FR Doc. 2026-09780 Filed 5-14-26; 8:45 am]

BILLING CODE 4410-18-P

DEPARTMENT OF LABOR

Agency Information Collection Activities; Submission for OMB Review; Comment Request; Mine Rescue Teams; Arrangements for Emergency Medical Assistance and Transportation for Injured Persons; Agreements; Reporting Requirements; Posting Requirements

ACTION: Notice of availability; request for comments.

SUMMARY: The Department of Labor (DOL) is submitting this Mine Safety & Health Administration (MSHA)-sponsored information collection request (ICR) to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995 (PRA). Public comments on the ICR are invited.

DATES: The OMB will consider all written comments that the agency receives on or before June 15, 2026.

ADDRESSES: Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to www.reginfo.gov/public/do/PRAMain. Find this particular information collection by selecting “Currently under 30-day Review—Open for Public Comments” or by using the search function.

FOR FURTHER INFORMATION CONTACT: Nicole Bouchet by telephone at 202-693-0213, or by email at DOL_PRA_PUBLIC@dol.gov.

SUPPLEMENTARY INFORMATION: The respondents for the paperwork provisions of this rule are underground mine operators. The records will be

used by mine operators, supervisors, and employees, and State and Federal mine inspectors to provide assurance that each mine operator and mine rescue team is prepared for a mine emergency. The records show that the mine rescue team equipment has been examined and tested and is in good working order. The training records show that the mine rescue team members and responsible persons at the mine are competent to respond to a mine emergency involving a fire, an explosion, or a gas or water inundation. The records greatly assist those who use them in making decisions that will ultimately affect the safety of all persons working underground. These information collection requirements help assure that properly trained mine rescue teams are readily available to save endangered miners in life-threatening situations. In addition, the training requirements in this information collection will help assure the safety of the mine rescue team itself. For additional substantive information about this ICR, see the related notice published in the **Federal Register** on January 26, 2026 (91 FR 3225).

Comments are invited on: (1) whether the collection of information is

necessary for the proper performance of the functions of the Department, including whether the information will have practical utility; (2) the accuracy of the agency's estimates of the burden and cost of the collection of information, including the validity of the methodology and assumptions used; (3) ways to enhance the quality, utility and clarity of the information collection; and (4) ways to minimize the burden of the collection of information on those who are to respond, including the use of automated collection techniques or other forms of information technology.

This information collection is subject to the PRA. A Federal agency generally cannot conduct or sponsor a collection of information, and the public is generally not required to respond to an information collection, unless the OMB approves it and displays a currently valid OMB Control Number. In addition, notwithstanding any other provisions of law, no person shall generally be subject to penalty for failing to comply with a collection of information that does not display a valid OMB Control Number. See 5 CFR 1320.5(a) and 1320.6.

DOL seeks PRA authorization for this information collection for three (3) years. OMB authorization for an ICR cannot be for more than three (3) years without renewal. The DOL notes that information collection requirements submitted to the OMB for existing ICRs receive a month-to-month extension while they undergo review.

Agency: DOL—MDHA.

Title of Collection: Mine Rescue Teams; Arrangements for Emergency Medical Assistance and Transportation for Injured Persons; Agreements; Reporting Requirements; Posting Requirements.

OMB Control Number: 1219–0144.

Affected Public: Private Sector—Businesses or other for-profits.

Total Estimated Number of Respondents: 1,369.

Total Estimated Number of Responses: 37,236.

Total Estimated Annual Time Burden: 6,186 hours.

Total Estimated Annual Other Costs Burden: \$984.

(Authority: 44 U.S.C. 3507(a)(1)(D))

Nicole Bouchet,

Senior Paperwork Reduction Act Analyst.

[FR Doc. 2026–09762 Filed 5–14–26; 8:45 am]

BILLING CODE 4510–26–P

DEPARTMENT OF LABOR

Occupational Safety and Health Administration

[Docket No. OSHA–2016–0005]

RIN 1218–AC93

Hazard Communication Standard; Notice of Public Meeting

AGENCY: Occupational Safety and Health Administration (OSHA), Labor.

ACTION: Notice of public meeting.

SUMMARY: This notice is to advise interested persons that OSHA will conduct two virtual public meetings in 2026 to address the United States Government positions on documents submitted for the sessions of the United Nations Sub-Committee of Experts on the Globally Harmonized System of Classification and Labelling of Chemicals (UNSCCEGHS), each virtual meeting in advance of the in-person sessions of the UNSCEGHS.

DATES: The first OSHA virtual meeting in 2026 will be held in June in preparation for the in-person July 8–10, 2026, 49th session of the UNSCEGHS to be held in Geneva, Switzerland. The second OSHA virtual meeting in 2026 will be held in November in preparation for the in-person December 2–4, 2026, 50th session of the UNSCEGHS to be held in Geneva, Switzerland. OSHA, along with the U.S. Interagency Globally Harmonized System of Classification and Labelling of Chemicals (GHS) Coordinating Group, plans to consider the comments and information gathered at the June and November virtual public meetings when developing U.S. Government positions for the UNSCEGHS meetings in July and December 2026.

ADDRESSES: Specific information for the meeting will be posted when available on the OSHA website at <https://www.osha.gov/hazcom/international#meeting-notice>.

FOR FURTHER INFORMATION CONTACT:

Please contact Ms. Janet Carter, OSHA Directorate of Standards and Guidance, Department of Labor, telephone: (202) 693–2370, email carter.janet@dol.gov.

SUPPLEMENTARY INFORMATION: OSHA will conduct two virtual public meetings in 2026; the first in June and the second in November to discuss the working and informal documents submitted for the in-person 49th and 50th sessions of the UNSCEGHS held in-person in Geneva, Switzerland on July 8–10, 2026, and December, 2–4, 2026, respectively. The exact dates and advance registration information for

OSHA's virtual public meetings will be posted on the OSHA website at <https://www.osha.gov/hazcom/international#meeting-notice>.

OSHA will solicit public input on U.S. government positions regarding the proposals submitted to the UNSCEGHS. Written comments on these documents can be submitted to the OSHA docket (OSHA–2016–0005) at <https://www.regulations.gov> until the day before each UNSCEGHS session begins. Please see <https://www.osha.gov/hazcom/international#meeting-notice> for the dates and times of OSHA's virtual public meetings. Information on the work of the UNSCEGHS, including meeting agendas, working and informal documents, and reports can be found on the United Nations Economic Commission for Europe (UNECE) Transport Division website: for the July 49th session at <https://unece.org/info/Transport/Dangerous-Goods/events/408831>; for the December 50th session at <https://unece.org/info/Transport/Dangerous-Goods/events/410787>.

Authority and Signature

David Keeling, Assistant Secretary of Labor for Occupational Safety and Health, U.S. Department of Labor, authorized the preparation of this notice under the authority granted by sections 4, 6, and 8 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 653, 655, 657), and Secretary's Order 7–2025 (90 FR 27878) (June 30, 2025).

Signed at Washington, DC, on May 7, 2026.

David Keeling,

Assistant Secretary of Labor for Occupational Safety and Health.

[FR Doc. 2026–09727 Filed 5–14–26; 8:45 am]

BILLING CODE 4510–26–P

NUCLEAR REGULATORY COMMISSION

[NRC–2026–1387]

State of Indiana: NRC Staff Assessment of a Proposed Agreement Between the Nuclear Regulatory Commission and the State of Indiana

AGENCY: Nuclear Regulatory Commission.

ACTION: Proposed state agreement; request for comment.

SUMMARY: As required by Section 274e. of the Atomic Energy Act of 1954, as amended (AEA), the U.S. Nuclear Regulatory Commission (NRC or Commission) is publishing the proposed Agreement for public comment (Appendix A). The NRC is also publishing the summary of a draft

assessment by the NRC staff of the State of Indiana's regulatory program. Comments are requested on the proposed Agreement and its effect on public health and safety. Comments are also requested on the draft staff assessment, the adequacy of the State of Indiana's program, and the adequacy of the staffing of the State's program, as discussed in this document.

DATES: Submit comments by June 15, 2026. Comments received after this date will be considered if it is practical to do so, but the Commission is able to ensure consideration only for comments received on or before this date.

ADDRESSES: You may submit comments by any of the following methods; however, the NRC encourages electronic comment submission through the Federal Rulemaking website:

- *Federal Rulemaking Website:* Go to <https://www.regulations.gov> and search for Docket ID NRC-2026-1387. Address questions about Docket IDs in *Regulations.gov* to Bridget Curran; telephone: 301-415-1003; email: Bridget.Curran@nrc.gov. For technical questions, contact the individual(s) listed in the **FOR FURTHER INFORMATION CONTACT** section of this document.

- *Mail comments to:* Office of Administration, Mail Stop: TWFN-5-A85, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001, ATTN: Program Management, Announcements and Editing Staff.

For additional direction on obtaining information and submitting comments, see "Obtaining Information and Submitting Comments" in the **SUPPLEMENTARY INFORMATION** section of this document.

FOR FURTHER INFORMATION CONTACT: Sherrie Flaherty, Office of Nuclear Material Safety and Safeguards, U.S. Nuclear Regulatory Commission, Washington, DC 20555-0001; telephone: 301-415-7288; email: Sherrie.Flaherty@nrc.gov.

SUPPLEMENTARY INFORMATION:

I. Obtaining Information and Submitting Comments

A. Obtaining Information

Please refer to Docket ID NRC-2026-1387 when contacting the NRC about the availability of information for this action. You may obtain publicly available information related to this action by any of the following methods:

- *Federal Rulemaking Website:* Go to <https://www.regulations.gov> and search for Docket ID NRC-2026-1387.

- *NRC's Agencywide Documents Access and Management System (ADAMS):* You may obtain publicly

available documents online in the ADAMS Public Documents collection at <https://www.nrc.gov/reading-rm/adams.html>. To begin the search, select "Begin ADAMS Public Search." For problems with ADAMS, please contact the NRC's Public Document Room (PDR) reference staff at 1-800-397-4209, at 301-415-4737, or by email to PDR.Resource@nrc.gov. For the convenience of the reader, instructions about obtaining materials referenced in this document are provided in the "Availability of Documents" section.

- *NRC's PDR:* The PDR, where you may examine and order copies of publicly available documents, is open by appointment. To make an appointment to visit the PDR, please send an email to PDR.Resource@nrc.gov or call 1-800-397-4209 or 301-415-4737, between 8 a.m. and 4 p.m. eastern time (ET), Monday through Friday, except Federal holidays.

B. Submitting Comments

The NRC encourages electronic comment submission through the Federal Rulemaking website (<https://www.regulations.gov>). Please include Docket ID NRC-2026-1387 in your comment submission.

The NRC cautions you not to include identifying or contact information that you do not want to be publicly disclosed in your comment submission. The NRC will post all comment submissions at <https://www.regulations.gov> as well as enter the comment submissions into ADAMS. The NRC does not routinely edit comment submissions to remove identifying or contact information.

If you are requesting or aggregating comments from other persons for submission to the NRC, then you should inform those persons not to include identifying or contact information that they do not want to be publicly disclosed in their comment submission. Your request should state that the NRC does not routinely edit comment submissions to remove such information before making the comment submissions available to the public or entering the comment into ADAMS.

II. Discussion

By letter received January 29, 2026, Governor Mike Braun of the State of Indiana requested that the NRC enter into an Agreement with the State of Indiana as authorized by Section 274b. of the AEA. Under the proposed Agreement, the Commission would discontinue, and the State of Indiana would assume, regulatory authority over certain types of byproduct materials as defined in the AEA, source material,

and special nuclear material in quantities not sufficient to form a critical mass.

III. Additional Information on Agreements Entered Under Section 274 of the AEA

Under the proposed Agreement, the NRC would discontinue its authority over 213 licenses and would transfer its regulatory authority over those licenses to the State of Indiana. The NRC periodically reviews the performance of the Agreement States to assure compliance with the provisions of Section 274.

Section 274e. of the AEA requires that the terms of the proposed Agreement be published in the **Federal Register** for public comment once each week for four consecutive weeks. This document is being published in fulfillment of that requirement.

IV. Proposed Agreement With the State of Indiana

Background

(a) Section 274b. of the AEA provides the mechanism for a State to assume regulatory authority from the NRC over certain radioactive materials and activities that involve use of these materials. The radioactive materials, sometimes referred to as "Agreement materials," are byproduct materials as defined in Sections 11e.(1), 11e.(2), 11e.(3), and 11e.(4) of the AEA; source material as defined in Section 11z. of the AEA; and special nuclear material as defined in Section 11aa. of the AEA, restricted to quantities not sufficient to form a critical mass.

The radioactive materials and activities (which together are usually referred to as the "categories of materials") that the State of Indiana requests authority over are:

1. The possession and use of byproduct material as defined in Section 11e.(1) of the Act;
2. The possession and use of byproduct material as defined in Section 11e.(3) of the Act;
3. The possession and use of byproduct material as defined in Section 11e.(4) of the Act;
4. The possession and use of source material as defined in Section 11z. of the Act; and
5. The possession and use of special nuclear material as defined in Section 11aa. of the Act, in quantities not sufficient to form a critical mass.

(b) The proposed Agreement contains articles that:

- (i) Specify the materials and activities over which authority is transferred;

- (ii) Specify the materials and activities over which the Commission will retain regulatory authority;
- (iii) Continue the authority of the Commission to safeguard special nuclear material, protect restricted data, and protect common defense and security;
- (iv) Commit the State of Indiana and the NRC to exchange information as necessary to maintain coordinated and compatible programs;
- (v) Provide for the reciprocal recognition of licenses;
- (vi) Provide for the suspension or termination of the Agreement; and
- (vii) Specify the effective date of the proposed Agreement.

The Commission reserves the option to modify the terms of the proposed Agreement in response to comments, to correct errors, and to make editorial changes. The final text of the proposed Agreement, with the effective date, will be published after the Agreement is approved by the Commission and signed by the NRC Chairman and the Governor of Indiana.

(c) The regulatory program is authorized by law under the Indiana Code (IC) Title 10, Article 19, Chapter 12, Section 11(a) (IC 10–19–12–11(a)), which provides the Governor with the authority to enter into an Agreement with the Commission. The State of Indiana law contains provisions for the orderly transfer of regulatory authority over affected licenses from the NRC to the State. In a letter received January 29, 2026, Governor Braun certified that the State of Indiana has a program for the control of radiation hazards that is adequate to protect public health and safety within the State of Indiana for the materials and activities specified in the proposed Agreement, and that the State desires to assume regulatory responsibility for these materials and activities. After the effective date of the Agreement, licenses issued by the NRC would continue in effect as State of Indiana licenses until the licenses expire or are replaced by State-issued licenses.

(d) The draft staff assessment finds that the Indiana Department of Homeland Security (IDHS) and Radioactive Materials Control Program (RMCP) is adequate to protect public health and safety and is compatible with the NRC's regulatory program for the regulation of Agreement materials. However, the NRC staff identified several limited, section-specific inconsistencies within the Indiana Radioactive Materials regulations that were not fully compatible with the corresponding NRC requirements. In communications dated January 21,

2026, and February 27, 2026, the State of Indiana committed to making the necessary compatibility changes in the next rulemaking.

Summary of the Draft NRC Staff Assessment of the State of Indiana's Program for the Regulation of Agreement Materials

The NRC staff has examined the State of Indiana's request for an Agreement with respect to the ability of the State's radiation control program to regulate Agreement materials. The examination was based on the Commission's Policy Statement, "Criteria for Guidance of States and NRC in Discontinuance of NRC Regulatory Authority and Assumption Thereof by States Through Agreement," (46 FR 7540, January 23, 1981, as amended by Policy Statements published at 46 FR 36969, July 16, 1981, and at 48 FR 33376, July 21, 1983) (Policy Statement), and the Office of Nuclear Material Safety and Safeguards Procedure SA–700, "Processing an Agreement." The Policy Statement has 28 criteria that serve as the basis for the NRC staff's assessment of the State of Indiana's request for an Agreement. The following section will reference the appropriate criteria numbers from the Policy Statement that apply to each section.

(a) Organization and Personnel. The NRC staff reviewed these areas under Criteria 1, 2, 20, and 24 in the draft staff assessment. The State of Indiana's proposed Agreement materials program for the regulation of radioactive materials is called the "Radioactive Materials Control Program" (RMCP) and will be located within the Radiation Programs section of the IDHS.

The educational requirements for the RMCP staff are specified in the State of Indiana's personnel position descriptions and meet the NRC criteria with respect to formal education or combined education and experience requirements. All current staff members meet the requirements of a bachelor's degree in the physical, life science or engineering; or an equivalent combination of education and experience has been substituted for the degree. All have training and work experience in radiation protection. Supervisory level staff each have at least five years of working experience in radiation protection.

The State of Indiana performed an analysis of the expected workload under the proposed Agreement. Based on the NRC staff review of the State of Indiana's analysis, the State has an adequate number of staff to regulate radioactive materials under the terms of the proposed Agreement. The State of

Indiana will employ the equivalent of four full-time equivalent professional and technical staff to support the Radioactive Materials Program.

The State of Indiana has indicated that the RMCP has an adequate number of trained and qualified staff in place, and has developed qualification procedures for license reviewers and inspectors that are similar to the NRC's procedures. The RMCP staff has accompanied the NRC staff on inspections of NRC licensees in Indiana and participated in licensing training at NRC's Region III with Division of Radiological Safety and Security staff. The Radioactive Materials Program staff is also actively supplementing its experience through meetings, discussions, and facility visits with the NRC licensees in the State of Indiana and through self-study, in-house training, and formal training.

Overall, the NRC staff concluded that the RMCP staff identified by the State of Indiana to participate in the Agreement materials program has sufficient knowledge and experience in radiation protection, the use of radioactive materials, the standards for the evaluation of applications for licensing, and the techniques of inspecting licensed users of Agreement materials.

(b) Legislation and Regulations. The NRC staff reviewed these areas under Criteria 1–15, 17, 19, and 21–28 in the draft staff assessment. IC 10–19–12–11(a) provides the Governor of Indiana the authority to enter into the Agreement, and IC 10–19–12–5 establishes the IDHS as the lead agency for carrying out the duties of the State's Agreement state program. The IDHS has the requisite authority to promulgate regulations under the IC 10–19–12–5(c) and 10–19–12–14 for protection against radiation. IC 10–19–12–5(c)), IC 10–19–12–6, IC 10–19–12–9, and IC 10–19–12–18(a) provide the IDHS the authority to issue licenses and orders; conduct inspections; and enforce compliance with regulations, license conditions, and orders. IC 10–19–12–9 requires licensees to provide access to inspectors.

The NRC staff verified that the State of Indiana adopted by reference the relevant NRC regulations in parts 19, 20, 30, 31, 32, 33, 34, 35, 36, 37, 39, 40, 61, 70, 71, and 150 of title 10 of the *Code of Federal Regulations* (10 CFR) into the Indiana Administrative Code Title 290 Article 3, Standards for Protection Against Radiation. With the State of Indiana's commitment to address the remaining compatibility comments, the State of Indiana adopted an adequate and compatible set of radiation protection regulations that apply to

byproduct materials, source material, and special nuclear material in quantities not sufficient to form a critical mass. The NRC staff also verified that the State of Indiana will not attempt to enforce regulatory matters reserved to the Commission.

(c) **Storage and Disposal.** The NRC staff reviewed these areas under Criteria 8, 9a, and 11 in the draft staff assessment. The State of Indiana has adopted NRC compatible requirements for the handling and storage of radioactive material, including regulations equivalent to the applicable standards contained in 10 CFR part 20, which address the general requirements for waste disposal, and 10 CFR part 61, which addresses waste classification and form. These regulations are applicable to all licensees covered under this proposed Agreement.

(d) **Transportation of Radioactive Material.** The NRC staff reviewed this area under Criteria 10 in the draft staff assessment. The State of Indiana has adopted compatible regulations to the NRC regulations in 10 CFR part 71. Part 71 contains the requirements licensees must follow when preparing packages containing radioactive material for transport. Part 71 also contains requirements related to the licensing of packaging for use in transporting radioactive materials.

(e) **Recordkeeping and Incident Reporting.** The NRC staff reviewed this area under Criteria 1 and 11 in the draft staff assessment. The State of Indiana has adopted compatible regulations to the sections of the NRC regulations that specify requirements for licensees to keep records and to report incidents or accidents involving the State's regulated Agreement materials specified in the proposed Agreement.

(f) **Evaluation of License Applications.** The NRC staff reviewed this area under Criteria 1, 7, 8, 9a, 13, 14, 15, 20, 23, and 25 in the draft staff assessment. The State of Indiana has adopted compatible regulations to the NRC regulations that specify the requirements to obtain a license to possess or use radioactive materials. The State of Indiana has also developed licensing procedures and adopted NRC licensing guides for specific uses of radioactive material for use by the program staff when evaluating license applications.

(g) **Inspections and Enforcement.** The NRC staff reviewed these areas under Criteria 1, 16, 18, 19, and 23 in the draft staff assessment. The State of Indiana has adopted a schedule providing for the inspection of licensees as frequently as, or more frequently than, the inspection schedule used by the NRC. The State of Indiana's Radioactive

Materials Control Program has adopted procedures for the conduct of inspections, reporting of inspection findings, and reporting inspection results to the licensees. Additionally, the State of Indiana has also adopted procedures for the enforcement of regulatory requirements.

(h) **Regulatory Administration.** The NRC staff reviewed this area under Criterion 23 in the draft staff assessment. The State of Indiana is bound by requirements specified in its State law for rulemaking, issuing licenses, and taking enforcement actions. The State of Indiana has also adopted administrative procedures to assure fair and impartial treatment of license applicants. The State of Indiana law prescribes standards of ethical conduct for State employees.

(i) **Cooperation with Other Agencies.** The NRC staff reviewed this area under Criteria 25, 26, and 27 in the draft staff assessment. The State of Indiana law provides for the recognition of existing NRC and Agreement State licenses and the State has a process in place for the transition of active NRC licenses. Upon the effective date of the Agreement, all active NRC radioactive materials licenses that are for materials covered by the proposed Agreement and were issued to facilities in the State of Indiana will be recognized as IDHS licenses.

The State of Indiana also provides for "timely renewal." This provision affords the continuance of licenses for which an application for renewal has been filed more than 30 days prior to the date of expiration of the license. NRC licenses transferred while in timely renewal are done in a manner to minimize the effects of the transition on the licensee. The NRC and the State of Indiana will collaborate to ensure a seamless and successful transition of NRC licenses under timely renewal.

The State of Indiana regulations in Indiana Administrative Code, Title 290, Article 3, Standards for Protection Against Radiation, provide exemptions from the State's requirements for the NRC and the U.S. Department of Energy contractors or subcontractors. The proposed Agreement commits the State of Indiana to use its best efforts to cooperate with the NRC and the other Agreement States in the formulation of standards and regulatory programs for the protection against hazards of radiation, and to assure that the State's program will continue to be compatible with the Commission's program for the regulation of Agreement materials. The proposed Agreement specifies the desirability of reciprocal recognition of licenses and commits the Commission

and the State of Indiana to use their best efforts to accord such reciprocity. Consistent with NRC requirements, the State of Indiana would be able to recognize the licenses of other jurisdictions by general license, as appropriate.

Staff Conclusion

Section 274d. of the AEA provides that the Commission shall enter into an Agreement under Section 274b. with any State if:

(a) The Governor of that State certifies that the State has a program for the control of radiation hazards adequate to protect the public health and safety with respect to the Agreement materials within the State, and that the State desires to assume regulatory responsibility for the Agreement materials; and

(b) The Commission finds that the State program is in accordance with the requirements of Subsection 274o. and in all other respects compatible with the Commission's program for regulation of such materials, and that the State program is adequate to protect the public health and safety with respect to the materials covered by the proposed Agreement.

The NRC staff has reviewed the proposed Agreement, the certification of Indiana Governor Braun, and the supporting information provided by the RMCP of the IDHS. Based upon this review, the NRC staff concludes that the State of Indiana Radioactive Material Control Program satisfies the Section 274d. criteria as well as the criteria in the Commission's Policy Statement "Criteria for Guidance of States and NRC in Discontinuance of NRC Regulatory Authority and Assumption Thereof by States Through Agreement." The NRC staff also concludes that the proposed State of Indiana program to regulate Agreement materials, as comprised of statutes, regulations, procedures, and staffing, is compatible with the Commission's program and is adequate to protect the public health and safety with respect to the materials covered by the proposed Agreement. Therefore, the proposed Agreement meets the requirements of Section 274 of the AEA.

V. Executive Order Reviews

Executive Order (E.O.) 12866

The Office of Information and Regulatory Affairs has determined that this proposed agreement is not a significant regulatory action under E.O. 12866.

E.O. 13132

This action does not have federalism implications, as defined in E.O. 13132. It will not significantly limit the rights, roles, and responsibilities of State or local governments.

E.O. 14300

On May 23, 2025, President Donald J. Trump signed E.O. 14300, "Ordering the Reform of the Nuclear Regulatory

Commission." Section 5, "Reforming and Modernizing the NRC's Regulations," requires the NRC to undertake a review and wholesale revision of its regulations and guidance documents as guided by the policies set forth in section 2 of the E.O. The NRC is currently in the process of implementing the direction in E.O. 14300. When the NRC finalizes its rules during the implementation of E.O.

14300, the Agreement States will need to update their own regulations, as necessary, to maintain compatibility with the NRC's program within a specific timeframe.

VI. Availability of Documents

The documents identified in the following table are available to interested persons through one or more of the following methods, as indicated.

Document description	ADAMS accession No.
Final Indiana Application Section 4.1 Legal Elements (Revised), dated January 2026	ML26068A234.
Final Indiana Application Section 4.2 Regulatory Requirements Program Elements (Revised), dated January 2026.	ML26068A235.
Final Indiana Application Section 4.3 Licensing Program Elements (Revised), dated January 2026	ML26068A236.
Final Indiana Application Section 4.4 Inspection Program Elements (Revised), dated January 21, 2026	ML26068A237.
Final Indiana Application Section 4.5 Enforcement Program Elements (Revised), dated January 2026	ML26068A238.
Final Indiana Application Section 4.6 Technical Staffing and Training Program Elements (Revised), dated January 2026.	ML26068A239.
Final Indiana Application Section 4.7 Event and Allegation Response Program Elements (Revised), dated January 2026.	ML26068A240.
Indiana Application Request for Additional Information, dated February 2026	ML26068A127.
Receipt from C. Eckstein Acknowledging Indiana Revisions to Regulations 290 IAC 3–1 through 3–18, dated January 26, 2026.	ML26026A076.
Letter from C. Eckstein re: Indiana Revisions to Regulations 290 IAC 3–1 through 3–18, dated February 27, 2026.	ML26068A068.
Indiana Response to RAI, dated March 9, 2026	ML26068A126.
Letter from Governor Mike Braun, Indiana, to Chair Nieh requesting agreement be established between the NRC and State of Indiana, received January 29, 2026.	ML26033A182.
Staff Requirements Memorandum for SECY–26–0053 "Proposed Agreement Between the State of Indiana and the Commission Pursuant to Section 274 of the Atomic Energy Act of 1954, as Amended," dated May 5, 2026.	ML26125A146 (package).
SECY–26–0053 "Proposed Agreement Between the State of Indiana and the Commission Pursuant to Section 274 of the Atomic Energy Act of 1954, as Amended," dated April 10, 2026.	ML26069A564.
Draft Staff Assessment of the Proposed Indiana Program, dated April 10, 2026	ML26069A567(non-public, withheld pursuant to 10 CFR 2.390).
State Agreement (SA)–700 Processing an Agreement final, dated June 15, 2022	ML22138A414.
SA–700 Handbook for Processing an Agreement Procedure final, dated June 17, 2022	ML22140A396.

Authority: 42 U.S.C. 2011 *et seq.*

Dated: May 13, 2026.

For the Nuclear Regulatory Commission.

Dafna Silberfeld,

Acting Director, Division of Materials Safety, Security, State, and Tribal Programs, Office of Nuclear Material Safety and Safeguards.

Appendix A

An Agreement Between the United States Nuclear Regulatory Commission and the State of Indiana for the Discontinuance of Certain Commission Regulatory Authority and Responsibility Within the State Pursuant to Section 274 of the Atomic Energy Act of 1954, as Amended

Whereas, The United States Nuclear Regulatory Commission (hereinafter referred to as "the Commission") is authorized under Section 274 of the Atomic Energy Act of 1954, as amended, 42 U.S.C. 2011 *et seq.* (hereinafter referred to as "the Act"), to enter into an agreement with the Governor of the State of Indiana (hereinafter referred to as "the State") providing for discontinuance of the regulatory authority of the Commission within the State under Chapters 6, 7, and 8, and Section 161 of the Act with respect to

byproduct materials as defined in Sections 11e.(1), (3), and (4) of the Act, source materials, and special nuclear materials in quantities not sufficient to form a critical mass; and,

Whereas, The Governor of the State of Indiana is authorized under IC 10–19–12–11 to enter into this Agreement with the Commission; and,

Whereas, The Governor of the State of Indiana certified on January 29, 2026, that the State has a program for the control of radiation hazards adequate to protect the public health and safety with respect to the materials within the State covered by this Agreement, and that the State desires to assume regulatory responsibility for such materials; and,

Whereas, The Commission found on [date] that the program of the State of Indiana for the regulation of the materials covered by this Agreement is compatible with the Commission's program for the regulation of such materials and is adequate to protect the public health and safety; and,

Whereas, The State of Indiana and the Commission recognize the desirability and importance of cooperation between the Commission and the State in the formulation of standards for protection against hazards of

radiation and in assuring that State and Commission programs for protection against hazards of radiation will be coordinated and compatible; and,

Whereas, The Commission and the State of Indiana recognize the desirability of the reciprocal recognition of licenses, and of the granting of limited exemptions from licensing of those materials subject to this Agreement; and,

Whereas, This Agreement is entered into pursuant to the provisions of the Act;

Now, therefore, it is hereby agreed between the Commission and the Governor of Indiana acting on behalf of the State as follows:

Article I

Subject to the exceptions provided in Articles II, IV, and V, the Commission shall discontinue, as of the effective date of this Agreement, the regulatory authority of the Commission in the State under Chapters 6, 7 and 8, and Section 161 of the Act with respect to the following materials:

A. Byproduct material as defined in Section 11e.(1) of the Act;

B. Byproduct material as defined in Section 11e.(3) of the Act;

C. Byproduct materials as defined in Section 11e.(4) of the Act;

D. Source materials; and
E. Special nuclear materials, in quantities not sufficient to form a critical mass.

Article II

This Agreement does not provide for the discontinuance of any authority, and the Commission shall retain authority and responsibility, with respect to:

- A. The regulation of the construction, operation, and decommissioning of any production or utilization facility or any uranium enrichment facility;
- B. The regulation of byproduct material as defined in Section 11e.(2) of the Act;
- C. The regulation of the export from or import into the United States of byproduct, source, or special nuclear material, or of any production or utilization facility;
- D. The regulation of the disposal into the ocean or sea of byproduct, source, or special nuclear material waste as defined in regulations or orders of the Commission;
- E. The regulation of the disposal of such other byproduct, source, or special nuclear material as the Commission determines by regulation or order should, because of the hazards or potential hazards thereof, not be so disposed without a license from the Commission;
- F. The evaluation of radiation safety information on sealed sources or devices containing byproduct, source, or special nuclear material and the registration of the sealed sources or devices for distribution, as provided for in regulations or orders of the Commission;
- G. The regulation of activities not exempt from Commission regulation as stated in 10 CFR part 150; and
- H. The regulation of the land disposal of byproduct, source, or special nuclear material received from other persons;

Article III

With the exception of those activities identified in Article II, paragraphs A., C. through E. and G., this Agreement may be amended, upon application by the State and approval by the Commission, to include the additional areas specified in Article II, paragraphs B., F., and H., whereby the State may then exert regulatory authority and responsibility with respect to those activities.

Article IV

Notwithstanding this Agreement, the Commission may from time to time by rule, regulation, or order, require that the manufacturer, processor, or producer of any equipment, device, commodity, or other product containing source, byproduct, or special nuclear material shall not transfer possession or control of such product except pursuant to a license or an exemption for licensing issued by the Commission.

Article V

This Agreement shall not affect the authority of the Commission under Subsection 161b. or 161i. of the Act to issue rules, regulations, or orders to promote the common defense and security, to protect restricted data, or to guard against the loss or diversion of special nuclear material.

Article VI

The Commission will cooperate with the State and other Agreement States in the formulation of standards and regulatory programs of the State and the Commission for: (a) protection against hazards of radiation; and (b) to assure that Commission and State programs for protection against the hazards of radiation are coordinated and compatible.

The State agrees to cooperate with the Commission and other Agreement States in the formulation of standards and regulatory programs of the State and the Commission for: (a) protection against the hazards of radiation; and (b) to assure that the State's program will continue to be compatible with the program of the Commission for the regulation of materials covered by this Agreement.

The State and the Commission agree to keep each other informed of proposed changes in their respective rules and regulations, and to provide each other the opportunity for early and substantive contribution to the proposed changes.

The State and the Commission agree to keep each other informed of events, accidents, and licensee performance that may have generic implication or otherwise be of regulatory interest.

Article VII

The Commission and the State agree that it is desirable to provide reciprocal recognition of licenses for the materials listed in Article I licensed by the other party or by any other Agreement State.

Accordingly, the Commission and the State agree to develop appropriate rules, regulations, and procedures by which reciprocity will be accorded.

Article VIII

The Commission, upon its own initiative after reasonable notice and opportunity for hearing to the State, or upon request of the Governor of Indiana, may terminate or suspend all or part of this Agreement and reassert the licensing and regulatory authority vested in it under the Act, if the Commission finds that (1) such termination or suspension is required to protect the public health and safety, or (2) the State has not complied with one or more of the requirements of Section 274 of the Act. Pursuant to Section 274j. of the Act, the Commission may, after notifying the Governor, temporarily suspend all or part of this Agreement without notice or hearing if, in the judgment of the Commission, an emergency situation exists with respect to any material covered by this agreement creating danger which requires immediate action to protect the health and safety of persons either within or outside the State and the State has failed to take steps necessary to contain or eliminate the cause of danger within a reasonable time after the situation arose. The Commission shall periodically review actions taken by the State under this Agreement to ensure compliance with Section 274 of the Act, which requires a State program to be adequate to protect the public health and safety with respect to the materials covered by this Agreement and to

be compatible with the Commission's program.

Article IX

This Agreement shall become effective on XXXXXXXX, 2026, and shall remain in effect unless and until such time as it is terminated pursuant to Article VIII.

Executed at Indianapolis, Indiana, this [date] day of [month], 2026.

For the United States Nuclear Regulatory Commission.

Ho K. Nieh,

Chairman of the U.S. Nuclear Regulatory Commission.

For the State of Indiana.

Michael Braun,

Governor of Indiana.

[FR Doc. 2026–09778 Filed 5–14–26; 8:45 am]

BILLING CODE 7590–01–P

NUCLEAR REGULATORY COMMISSION

[Docket No. 50–289–LA; ASLBP No. 26–993–01–LA–BD01]

Constellation Energy Generation, LLC; Establishment of Atomic Safety and Licensing Board

Pursuant to the Commission's regulations, *see, e.g.*, 10 CFR 2.104, 2.105, 2.300, 2.309, 2.313, 2.318, 2.321, notice is hereby given that an Atomic Safety and Licensing Board (Board) is being established to preside over the following proceeding:

CONSTELLATION ENERGY

GENERATION, LLC (Christopher M. Crane Clean Energy Center)

Constellation Energy Generation, LLC (CEG) has requested three amendments to Renewed Facility License No. DPR–50 to support the potential reauthorization of power operations at the Christopher M. Crane Clean Energy Center (CCEC), formerly Three Mile Island Nuclear Station, Unit 1, in Dauphin County, Pennsylvania. CEG seeks to resume power operations at CCEC through April 19, 2034.

In response to a notice filed in the **Federal Register** announcing the opportunity to request a hearing, *see* 91 FR 8,910 (Feb. 24, 2026), Eric Joseph Epstein filed a hearing request on April 27, 2026 in which he proffered two contentions. On May 11, 2026, the Secretary of the Commission denied Mr. Epstein's hearing request with respect to the first contention as procedurally deficient and, pursuant to 10 CFR 2.346(i), referred the remainder of the request to the Atomic Safety and Licensing Board Panel for further consideration by a Board. *See* Secretary of the Commission Order at 3, Docket

No. 50–289–LA (May 11, 2026) (unpublished).

The Board is comprised of the following Administrative Judges:

Michael M. Gibson, Chair, Atomic Safety and Licensing Board Panel, U.S. Nuclear Regulatory Commission, Washington, DC 20555–0001

Dr. Sue H. Abreu, Atomic Safety and Licensing Board Panel, U.S. Nuclear Regulatory Commission, Washington, DC 20555–0001

Dr. Gary S. Arnold, Atomic Safety and Licensing Board Panel, U.S. Nuclear Regulatory Commission, Washington, DC 20555–0001

All correspondence, documents, and other materials shall be filed in accordance with the NRC E-Filing rule. See 10 CFR 2.302.

Rockville, Maryland.

Dated: May 12, 2026.

Edward R. Hawkens,
Chief Administrative Judge, Atomic Safety and Licensing Board Panel.

[FR Doc. 2026–09763 Filed 5–14–26; 8:45 am]

BILLING CODE 7590–01–P

POSTAL REGULATORY COMMISSION

[Docket Nos. MC2026–238 and K2026–237; MC2026–239 and K2026–238]

New Postal Products

AGENCY: Postal Regulatory Commission.

ACTION: Notice.

SUMMARY: The Commission is noticing a recent Postal Service filing for the Commission's consideration concerning a negotiated service agreement. This notice informs the public of the filing, invites public comment, and takes other administrative steps.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202–789–6820.

SUPPLEMENTARY INFORMATION:

Table of Contents

- I. Introduction
- II. Public Proceeding(s)
- III. Summary Proceeding(s)

I. Introduction

Pursuant to 39 CFR 3041.405, the Commission gives notice that the Postal

Service filed request(s) for the Commission to consider matters related to Competitive negotiated service agreement(s). The request(s) may propose the addition of a negotiated service agreement from the Competitive product list or the modification of an existing product currently appearing on the Competitive product list.

The public portions of the Postal Service's request(s) can be accessed via the Commission's website (<http://www.prc.gov>). Non-public portions of the Postal Service's request(s), if any, can be accessed through compliance with the requirements of 39 CFR 3011.301.¹

Section II identifies the docket number(s) associated with each Postal Service request, if any, that will be reviewed in a public proceeding as defined by 39 CFR 3010.101(p), the title of each such request, the request's acceptance date, and the authority cited by the Postal Service for each request. For each such request, the Commission appoints an officer of the Commission to represent the interests of the general public in the proceeding, pursuant to 39 U.S.C. 505 and 39 CFR 3000.114 (Public Representative). The Public Representative does not represent any individual person, entity or particular point of view, and, when Commission attorneys are appointed, no attorney-client relationship is established. Section II also establishes comment deadline(s) pertaining to each such request.

The Commission invites comments on whether the Postal Service's request(s) identified in Section II, if any, are consistent with the policies of title 39. Applicable statutory and regulatory requirements include 39 U.S.C. 3632, 39 U.S.C. 3633, 39 U.S.C. 3642, 39 CFR part 3035, and 39 CFR part 3041. Comment deadline(s) for each such request, if any, appear in Section II.

Section III identifies the docket number(s) associated with each Postal Service request, if any, to add a standardized distinct product to the Competitive product list or to amend a standardized distinct product, the title of each such request, the request's acceptance date, and the authority cited by the Postal Service for each request. Standardized distinct products are negotiated service agreements that are variations of one or more Competitive products, and for which financial models, minimum rates, and classification criteria have undergone

¹ See Docket No. RM2018–3, Order Adopting Final Rules Relating to Non-Public Information, June 27, 2018, Attachment A at 19–22 (Order No. 4679).

advance Commission review. See 39 CFR 3041.110(n); 39 CFR 3041.205(a). Such requests are reviewed in summary proceedings pursuant to 39 CFR 3041.325(c)(2) and 39 CFR 3041.505(f)(1). Pursuant to 39 CFR 3041.405(c)–(d), the Commission does not appoint a Public Representative or request public comment in proceedings to review such requests.

II. Public Proceeding(s)

None. See Section III for summary proceedings.

III. Summary Proceeding(s)

1. *Docket No(s).*: MC2026–238 and K2026–237; *Filing Title*: USPS Request to Add New Fulfillment Standardized Distinct Product, PM–GA Contract 985, and Notice of Filing Materials Under Seal; *Filing Acceptance Date*: May 12, 2026; *Filing Authority*: 39 U.S.C. 3642 and 3633, 39 CFR 3035.105, and 39 CFR 3041.325.

2. *Docket No(s).*: MC2026–239 and K2026–238; *Filing Title*: USPS Request to Add New Fulfillment Standardized Distinct Product, PM–GA Contract 986, and Notice of Filing Materials Under Seal; *Filing Acceptance Date*: May 12, 2026; *Filing Authority*: 39 U.S.C. 3642 and 3633, 39 CFR 3035.105, and 39 CFR 3041.325.

This Notice will be published in the **Federal Register**.

Danielle LeFlore,
Legal Assistant.

[FR Doc. 2026–09781 Filed 5–14–26; 8:45 am]

BILLING CODE 7710–FW–P

POSTAL REGULATORY COMMISSION

[Docket No. CP2026–8; Order No. 9571]

Competitive Postal Products

AGENCY: Postal Regulatory Commission.

ACTION: Notice.

SUMMARY: The Commission is recognizing a recently filed Postal Service document with the Commission concerning changes in rates and classifications of general applicability for Competitive products. This notice informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* June 5, 2026.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by

telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT:
David A. Trissell, General Counsel, at 202–789–6820.

SUPPLEMENTARY INFORMATION:

Table of Contents

- I. Introduction and Overview
- II. Initial Administrative Actions
- III. Ordering Paragraphs

I. Introduction and Overview

On May 11, 2026, the Postal Service filed notice with the Commission concerning changes in rates and classifications of general applicability for Competitive products.¹ The Postal Service represents that, as required by 39 CFR 3035.102(b) and 39 CFR 3035.104(b), the Notice includes an

explanation and justification for the changes, the effective date, and a schedule of the changed rates. *See* Notice at 1. The Notice also includes a certification of the vote, and a redacted copy of Governors’ Decision 26–2. *Id.* The changes are intended to take effect on July 12, 2026. *Id.*

Attached to the Notice is Governors’ Decision No. 26–2, which states the new prices are in accordance with 39 U.S.C. 3632 and 3633 and 39 CFR 3035.102.² The Governors’ Decision provides an analysis of the Competitive products’ price and classification changes intended to demonstrate that the changes comply with 39 U.S.C. 3633 and 39 CFR part 3035. Governors’ Decision No. 26–2 at 1. The attachment to the Governors’ Decision sets forth the classification and price changes and

includes draft *Mail Classification Schedule* (MCS) language for Competitive products of general applicability.

The Notice also includes an application for non-public treatment of the FY 2027 projected volumes, revenues, attributable costs, contribution, and cost coverage data for each product in the unredacted version of the annex to the Governors’ Decision, as well as supporting forecast data and price adjustment calculations for each affected product. Notice at 1.

Planned rate and classification changes. The Governors’ Decision includes an overview of the Postal Service’s planned price changes which are summarized in the table below.

TABLE I–1—PROPOSED PRICE CHANGES

Product name	Average price increase (percent)
Domestic Competitive Products	
USPS Ground Advantage:	
Retail	0
Commercial	11.8
Alaska Limited Overland Routes	0
Domestic Extra Services	
Competitive Post Office Box	3.0
Domestic Business Mailing Fees	
Forward and Return to Sender Parcel Select	57.9
Address Correction Service with Shipper Paid Forwarding/Returns, Parcel Select	68.8

Source: *See* Governors’ Decision No. 26–2 at 2–3.

Further classification changes are summarized as follows:

- The Postal Service proposes adding a HazMat Handling Fee for Priority Mail and Priority Mail Express³ to cover the additional costs associated with transporting these items, and a HazMat Noncompliance Fee that will be applied when it detects a package that contains HazMat but the customer did not appropriately declare and label them. The Postal Service proposes a rate of \$7.50.
- The Postal Service proposes a classification change to lower the dimensional divisor involved in the dimensional weight calculation from 166 to 139 across all domestic Competitive products. The Postal

Service states that this change brings the Postal Service’s dimensional divisor in line with the current industry standard.

- The Postal Service proposes expanding the definition of Connect Local, to allow the use of USPS Smart Lockers as a pickup and drop-off location for customers. The Postal Service states that this will allow it to explore potential revenue opportunities through the use of USPS Smart Lockers at the destination delivery unit or equivalent facility.
- The Postal Service proposes to introduce Addresses Application Programming Interface (API) service and pricing under Address Enhancement Services in July. The Postal Service states that the proposed Addresses API

service will validate and correct address information to improve package and mail delivery service. The Postal Service further states that “[w]hile the Addresses API service is similar to the existing [Address Matching System] API service, both offerings will continue for the foreseeable future.”

- The Postal Service proposes a minor change to the definition of Package Intercept service so that intercepted packages will use the original product and rate category chosen by the customer, rather than being forwarded or returned as Priority Mail.

Notice at 2–5; Attachment to Governors’ Decision No. 26–2.

¹ USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, May 11, 2026 (Notice). Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service is obligated to publish the Governors’ Decision and record of proceedings in the **Federal Register** at

least 30 days before the effective date of the new rates.

² Notice, Decision of the Governors of the United States Postal Service on Changes in Rates and Classification of General Applicability for Competitive Products (Governors’ Decision No. 26–2), at 1 (Governors’ Decision No. 26–2).

³ The Postal Service states that it is proactively including the structure of a HazMat Handling Fee for Parcel Select and USPS Ground Advantage in the MCS, but starting it at \$0 for July 2026 to eliminate the need for future systems changes should it decide to charge a fee for these products.

II. Initial Administrative Actions

The Commission establishes Docket No. CP2026–8 for consideration of matters raised by the Notice. The Commission invites comments on whether the Postal Service's filing is consistent with 39 U.S.C. 3632, 3633, and 39 CFR 3035.105 and .107. Comments are due no later than June 5, 2026. The public portions of the filing can be accessed via the Commission's website (<https://www.prc.gov>).

Pursuant to 39 U.S.C. 505, Christopher Mohr is appointed to serve as Public Representative to represent the interests of the general public in this docket. The Public Representative does not represent any individual person, entity or particular point of view, and, when Commission attorneys are appointed, no attorney-client relationship is established.

III. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. CP2026–8 for consideration of matters raised by the Postal Service's Notice.

2. Pursuant to 39 U.S.C. 505, the Commission appoints Christopher Mohr to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

3. Comments are due no later than June 5, 2026.

4. This Order shall be published in the **Federal Register**.

By the Commission.

Sarah Wessel,

Senior Paralegal Specialist.

[FR Doc. 2026–09798 Filed 5–14–26; 8:45 am]

BILLING CODE 7710–FW–P

RAILROAD RETIREMENT BOARD

Actuarial Advisory Committee with respect to the Railroad Retirement Account; Notice of Public Meeting

Notice is hereby given in accordance with Public Law 92–463 that the Actuarial Advisory Committee will hold a virtual meeting on May 28, 2026, at 1:00 p.m. (Central Daylight Time) on the conduct of the 2026 Annual Report Required by the Railroad Retirement Act of 1974 and the Railroad Retirement Solvency Act of 1983. The agenda for this meeting will include a discussion of the results of the 2026 Annual Report. The text and tables that constitute the Annual Report will have been prepared in draft form for review and sent by the Chief Actuary to the Committee before the meeting.

The meeting will be open to the public. Persons wishing to submit written statements, make oral presentations, or attend the meeting should address their communications or notices to Patricia Pruitt (Patricia.Pruitt@rrb.gov) so that information on how to join the virtual meeting can be provided.

Dated: May 13, 2026.

Sarah Kreydich,

Administrative Specialist.

[FR Doc. 2026–09786 Filed 5–14–26; 8:45 am]

BILLING CODE P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105452; File No. SR–MRX–2026–11]

Self-Regulatory Organizations; Nasdaq MRX, LLC; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change To Adopt Extended Trading Hours for Eligible Equity and Index Options

May 12, 2026.

On March 19, 2026, Nasdaq MRX, LLC (“MRX”) filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) ¹ and Rule 19b–4 thereunder, ² a proposed rule change to amend its rules to adopt extended trading hours to allow for the trading of certain eligible index options and equity options. The proposed rule change was published for comment in the **Federal Register** on March 31, 2026. ³

Section 19(b)(2) of the Act ⁴ provides that within 45 days of the publication of notice of the filing of a proposed rule change, or within such longer period up to 90 days as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or as to which the self-regulatory organization consents, the Commission shall either approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether the proposed rule change should be disapproved. The 45th day after publication of the notice for this proposed rule change is May 15, 2026.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See Securities Exchange Act Release No. 105097 (Mar. 26, 2026), 91 FR 16066. The Commission has received no comment letters on the proposed rule change.

⁴ 15 U.S.C. 78s(b)(2).

The Commission is extending this 45-day time period.

The Commission finds it appropriate to designate a longer period within which to take action on the proposed rule change so that it has sufficient time to consider the proposed rule change and the issues raised therein.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act, ⁵ designates June 29, 2026, as the date by which the Commission shall either approve or disapprove, or institute proceedings to determine whether to disapprove, the proposed rule change (File No. SR–MRX–2026–11).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority. ⁶

Vanessa A. Countryman,

Secretary.

[FR Doc. 2026–09735 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105443; File No. 4–631]

Joint Industry Plan; Notice of Filing and Immediate Effectiveness of the Twenty-Sixth Amendment to the National Market System Plan To Address Extraordinary Market Volatility To Reflect the Name Change of Nasdaq BX, Inc. to Nasdaq Texas LLC

May 12, 2026.

I. Introduction

On May 4, 2026, Nasdaq, Inc., on behalf of the following parties to the National Market System Plan to Address Extraordinary Market Volatility (“Plan” or “LULD Plan”): ¹ 24X National

⁵ 15 U.S.C. 78s(b)(2).

⁶ 17 CFR 200.30–3(a)(31).

¹ On May 31, 2012, the Commission approved the Plan, as modified by Amendment No. 1. See Securities Exchange Act Release No. 67091, 77 FR 33498 (June 6, 2012). On February 20, 2013, the Commission notified for immediate effectiveness the Second Amendment to the Plan. See Securities Exchange Act Release No. 68953, 78 FR 13113 (Feb. 26, 2013). On April 3, 2013, the Commission approved the Third Amendment to the Plan. See Securities Exchange Act Release No. 69287, 78 FR 21483 (Apr. 10, 2013). On August 27, 2013, the Commission notified for immediate effectiveness the Fourth Amendment to the Plan. See Securities Exchange Act Release No. 70273, 78 FR 54321 (Sept. 3, 2013). On September 26, 2013, the Commission approved the Fifth Amendment to the Plan. See Securities Exchange Act Release No. 70530, 78 FR 60937 (Oct. 2, 2013). On January 7, 2014, the Commission notified for immediate effectiveness the Sixth Amendment to the Plan. See Securities Exchange Act Release No. 71247, 79 FR 2204 (Jan. 13, 2014). On April 3, 2014, the Commission approved the Seventh Amendment to

Continued

Exchange LLC, Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., Investors Exchange LLC, Long-Term Stock Exchange, Inc., MEMX LLC, MIAx PEARL, LLC, Nasdaq BX, Inc., Nasdaq PHLX LLC, The Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Texas, Inc., and NYSE National, Inc., (collectively, “Participants”) filed with the Securities and Exchange

the Plan. *See* Securities Exchange Act Release No. 71851, 79 FR 19687 (Apr. 9, 2014). On February 19, 2015, the Commission approved the Eight Amendment to the Plan. *See* Securities Exchange Act Release No. 74323, 80 FR 10169 (Feb. 25, 2015). On October 22, 2015, the Commission approved the Ninth Amendment to the Plan. *See* Securities Exchange Act Release No. 76244, 80 FR 66099 (Oct. 28, 2015). On April 21, 2016, the Commission approved the Tenth Amendment to the Plan. *See* Securities Exchange Act Release No. 77679, 81 FR 24908 (Apr. 27, 2016). On August 26, 2016, the Commission notified for immediate effectiveness the Eleventh Amendment to the Plan. *See* Securities Exchange Act Release No. 78703, 81 FR 60397 (Sept. 1, 2016). On January 19, 2017, the Commission approved the Twelfth Amendment to the Plan. *See* Securities Exchange Act Release No. 79845, 82 FR 8551 (Jan. 26, 2017). On April 13, 2017, the Commission approved the Thirteenth Amendment to the Plan. *See* Securities Exchange Act Release No. 80455, 82 FR 18519 (Apr. 19, 2017). On April 28, 2017, the Commission notified for immediate effectiveness the Fourteenth Amendment to the Plan. *See* Securities Exchange Act Release No. 80549, 82 FR 20928 (May 4, 2017). On September 26, 2017, the Commission notified for immediate effectiveness the Fifteenth Amendment to the Plan. *See* Securities Exchange Act Release No. 81720, 82 FR 45922 (Oct. 2, 2017). On March 15, 2018, the Commission notified for immediate effectiveness the Sixteenth Amendment to the Plan. *See* Securities Exchange Act Release No. 82887, 83 FR 12414 (Mar. 21, 2018). On April 12, 2018, the Commission approved the Seventeenth Amendment to the Plan. *See* Securities Exchange Act Release No. 83044, 83 FR 17205 (Apr. 18, 2018). On April 11, 2019, the Commission approved the Eighteenth Amendment to the Plan. *See* Securities Exchange Act Release No. 85623, 84 FR 16086 (Apr. 17, 2019). On February 5, 2020, the Commission notified for immediate effectiveness the Nineteenth Amendment to the Plan. *See* Securities Exchange Act Release No. 88122, 85 FR 7805 (Feb. 11, 2020). On April 21, 2020, the Commission approved the Twentieth Amendment to the Plan. *See* Securities Exchange Act Release No. 88704, 85 FR 23383 (Apr. 27, 2020). On July 29, 2020, the Commission notified for immediate effectiveness the Twenty-First Amendment to the Plan. *See* Securities Exchange Act Release No. 89420, 85 FR 46762 (Aug. 3, 2020). On October 1, 2020, the Commission notified for immediate effectiveness the Twenty-Second Amendment to the Plan. *See* Securities Exchange Act Release No. 90068, 85 FR 63322 (Oct. 7, 2020). On September 16, 2024, the Commission disapproved the Twenty-Third Amendment to the Plan. *See* Securities Exchange Act Release No. 101036, 89 FR 77203 (Sept. 20, 2024). On May 14, 2025, the Commission notified for immediate effectiveness the Twenty-Fourth Amendment to the Plan. *See* Securities Exchange Act Release No. 103042, 90 FR 21529 (May 20, 2025). On September 3, 2025, the Commission notified for immediate effectiveness the Twenty-Fifth Amendment to the Plan. *See* Securities Exchange Act Release No. 103845, 90 FR 43254 (September 8, 2025).

Commission (“Commission”) pursuant to Section 11A(a)(3) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)² and Rule 608 thereunder,³ a proposal to amend the Plan (“Twenty-Sixth Amendment”).⁴

The Twenty-Sixth Amendment proposes a non-substantive amendment to the Plan to reflect the name change of Nasdaq BX, Inc. to Nasdaq Texas LLC. A copy of the Plan, as proposed to be amended is attached as Exhibit A hereto. The Participants are filing the Twenty-Sixth Amendment for immediate effectiveness pursuant to Rule 608(b)(3)(iii) of Regulation NMS under the Exchange Act.⁵

II. Description of the Plan

Set forth in this Section II is the statement of the purpose and summary of the Twenty-Sixth Amendment, along with the information required by Rule 608(a)(4) and (5) under the Exchange Act,⁶ prepared and submitted by the Participants to the Commission.⁷

A. Statement of Purpose and Summary of the Plan Amendment

The purpose of this amendment is to implement a non-substantive change to the Plan to reflect the name change of Nasdaq BX, Inc. to Nasdaq Texas, LLC.⁸

B. Governing or Constituent Documents

The governing documents of the Processor, as defined in Section I(P) of the Plan, will not be affected by the Amendment.

C. Implementation of Amendment

The Participants are filing this Twenty-Sixth Amendment for immediate effectiveness pursuant to Rule 608(b)(3)(iii) of Regulation NMS under the Exchange Act.⁶ At any time within 60 days of the filing of this amendment, the Commission may summarily abrogate this amendment and require that it be refiled in accordance with Rule 608(a)(1) and reviewed in accordance with Rule

608(b)(2), if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanisms of, a national market system or otherwise in furtherance of the purposes of the Act.

D. Development and Implementation Phases

Not applicable.

E. Analysis of Impact on Competition

The Participants believe that the proposed amendment does not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act because it simply effectuates a change to the name of one of the Participants. The proposed amendment to the Plan would apply to all market participants equally and would not impose a competitive burden on one category of market participants in favor of another category of market participant. The proposed amendment would apply to trading on all Trading Centers and all NMS Stocks would be subject to the amended Plan’s requirements. For the same reason, the Participants do not believe that the proposed amendment introduces terms that are unreasonably discriminatory for the purposes of Section 11A(c)(1)(D) of the Exchange Act.

F. Written Understanding or Agreements Relating to Interpretation of, or Participation in, Plan

Not applicable.

G. Approval of Amendment of the Plan

On April 15, 2026, the Operating Committee, duly constituted and chaired by Mr. Adrian Griffiths of MEMX LLC, voted unanimously to amend the Plan as set forth herein in accordance with Section III(C) of the Plan. The Plan Advisory Committee was notified in connection with the Twenty-Sixth Amendment and was in favor. Each of the Plan’s Participants has executed a written amended Plan.

H. Description of Operation of Facility Contemplated by the Proposed Amendment

Not applicable.

I. Terms and Conditions of Access

Section II(C) of the Plan provides that any entity registered as a national securities exchange or national securities association under the Exchange Act may become a Participant by: (1) becoming a participant in the applicable Market Data Plans, as defined

² 15 U.S.C 78k–1(a)(3).

³ 17 CFR 242.608.

⁴ *See* Letter from Andrew Oppenheimer, Nasdaq, Inc., to Vanessa Countryman, Secretary, Commission, dated April 28, 2026. (“Transmittal Letter”).

⁵ 17 CFR 242.608(b)(3)(iii).

⁶ *See* 17 CFR 242.608(a)(4) and (a)(5).

⁷ *See* Transmittal Letter, *supra* note 4.

⁸ Effective February 13, 2026, Nasdaq BX, Inc. converted from a corporation organized under the laws of the state of Delaware to a limited liability company organized under the laws of the state of Texas and changed its legal name to Nasdaq Texas, LLC. *See* Securities Exchange Act Release No. 104739 (Jan. 29, 2026), 91 FR 4989 (Feb. 2, 2026) (SR–BX–2026–006); SR–BX–2026–005 filed on January 21, 2026, available at: <https://listingcenter.nasdaq.com/rulebook/BX/rulefilings>.

in Section I(F) of the Plan; (2) executing a copy of the Plan, as then in effect; (3) providing each then-current Participant with a copy of such executed Plan; and (4) effecting an amendment to the Plan as specified in Section III(B) of the Plan.

J. Method of Determination and Imposition, and Amount of, Fees and Charges

Not applicable.

K. Method and Frequency of Processor Evaluation

Not applicable.

L. Dispute Resolution

Section III(C) of the Plan provides that each Participant shall designate an individual to represent the Participant as a member of an Operating Committee. No later than the initial date of the Plan, the Operating Committee shall designate one member of the Operating Committee to act as the Chair of the Operating Committee. Any recommendation for an amendment to the Plan from the Operating Committee that receives an affirmative vote of at least two-thirds of the Participants, but is less than unanimous, shall be submitted to the Commission as a request for an amendment to the Plan initiated by the Commission under Rule 608.

III. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the amendment is consistent with the Exchange Act and the rules thereunder. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number 4–631 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.
- All submissions should refer to File Number 4–631. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at

the principal office of the Exchange. Do not include personal information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number 4–631 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹

J. Matthew DeLesDernier,
Deputy Secretary.

Exhibit A

Proposed Amendments to the Plan Marked to Show Changes From Existing Plan

(Additions are in *italics*; Deletions are [bracketed]).

* * * * *

II. Parties

(A) List of Parties

The parties to the Plan are as follows:

- (1) 24X National Exchange LLC, One Landmark Square, 18th Floor, Stamford, Connecticut 06901
- (2) Cboe BZX Exchange, Inc., 400 South LaSalle Street, Chicago, Illinois 60605
- (3) Cboe BYX Exchange, Inc., 400 South LaSalle Street, Chicago, Illinois 60605
- (4) Cboe EDGA Exchange, Inc., 400 South LaSalle Street, Chicago, Illinois 60605
- (5) Cboe EDGX Exchange, Inc., 400 South LaSalle Street, Chicago, Illinois 60605
- (6) Financial Industry Regulatory Authority, Inc., 1735 K Street NW, Washington, DC 20006
- (7) Investors Exchange LLC, 4 World Trade Center, 44th Floor, New York, New York 10007
- (8) Long-Term Stock Exchange, Inc., 101 Greenwich St., Suite 11A, New York, NY 10006
- (9) MEMX LLC, 111 Town Square Place, Suite 520, Jersey City, NJ 07310
- (10) MIAX PEARL, LLC, 7 Roszel Road, Suite 1A, Princeton, NJ 08540
- (11) Nasdaq Texas, LLC [BX, Inc.], One Liberty Plaza, New York, New York 10006
- (12) Nasdaq PHLX LLC, 1900 Market Street, Philadelphia, Pennsylvania 19103
- (13) The Nasdaq Stock Market LLC, 1 Liberty Plaza, 165 Broadway, New York, NY 10006
- (14) NYSE National, Inc., 11 Wall Street, New York, NY 10005
- (15) New York Stock Exchange LLC, 11 Wall Street, New York, New York 10005
- (16) NYSE Arca, Inc., 11 Wall Street, New York, New York 10005
- (17) NYSE American LLC, 11 Wall Street, New York, New York 10005
- (18) NYSE Texas, Inc., 11 Wall Street, New York, New York 10005

* * * * *

⁹ 17 CFR 200.30–3(a)(85).

X. Counterparts and Signatures

The Plan may be executed in any number of counterparts, no one of which need contain all signatures of all Participants, and as many of such counterparts as shall together contain all such signatures shall constitute one and the same instrument.

In witness thereof, this Plan has been executed as of the _ day of _____ 202[] by each of the parties hereto.

24X NATIONAL EXCHANGE LLC

BY: _____
CBOE BZX EXCHANGE, INC.

BY: _____
CBOE BYX EXCHANGE, INC.

BY: _____
CBOE EDGA EXCHANGE, INC.

BY: _____
CBOE EDGX EXCHANGE, INC.

BY: _____
FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.

BY: _____
INVESTORS EXCHANGE LLC

BY: _____
LONG-TERM STOCK EXCHANGE, INC.

BY: _____
MEMX LLC

BY: _____
MIAX PEARL, LLC

BY: _____
NASDAQ TEXAS, LLC [BX, Inc.]

BY: _____
NASDAQ PHLX LLC

BY: _____
THE NASDAQ STOCK MARKET LLC

BY: _____
NYSE NATIONAL, INC.

BY: _____
NEW YORK STOCK EXCHANGE LLC

BY: _____
NYSE AMERICAN LLC

BY: _____
NYSE ARCA, INC.

BY: _____
NYSE TEXAS, INC.

BY: _____

[FR Doc. 2026–09748 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105447; File No. SR–NYSEAMER–2026–35]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Amend Rule 7.37E and Correct Rule 7.37E(d)

May 12, 2026.

Pursuant to Section 19(b)(1) ¹ of the Securities Exchange Act of 1934

¹ 15 U.S.C. 78s(b)(1).

(“Act”),² and Rule 19b–4 thereunder,³ notice is hereby given that on May 1, 2026, NYSE American LLC (“NYSE American” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 7.37E to specify the Exchange’s source of data feeds from Texas Stock Exchange (“TXSE”) for purposes of order handling, order execution, order routing, and regulatory compliance. The Exchange also proposes to correct the alphabetization of the exchanges listed in Rule 7.37E(d). The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to update and amend the use of data feeds table in Rule 7.37E(d), which sets forth on a market-by-market basis the specific securities information processor (“SIP”) and proprietary data feeds that the Exchange utilizes for the handling, execution, and routing of orders, and for performing the regulatory compliance checks related to each of those functions. Specifically, in light of the fact that Texas Stock Exchange (“TXSE”) has announced that it will

launch operations in July 2026,⁴ the Exchange proposes to amend the table in Rule 7.37E(d) to specify that the Exchange will use the SIP Data Feed as its primary source of data for order handling, order execution, order routing, and regulatory compliance.

The Exchange also proposes to correct the alphabetization of the exchanges listed in Rule 7.37E(d).

The Exchange proposes to make this change operative on the date that TXSE launches operations.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5),⁶ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. Additionally, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes its proposal to add TXSE to the table in Rule 7.37E(d) will ensure that the Rule correctly identifies and publicly states on a market-by-market basis all of the specific SIP and proprietary data feeds that the Exchange utilizes for the handling, execution, and routing of orders, and for performing the regulatory compliance checks for each of those functions. The proposed rule change also removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest by providing additional specificity, clarity, and transparency in the Exchange’s rules.

B. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposal will enhance competition because providing the public and market participants with

up-to-date information about the data feeds the Exchange will use for the handling, execution, and routing of orders, as well as for regulatory compliance would enhance transparency and enable investors to better assess the quality of the Exchange’s execution and routing services. In addition, the proposed rule change would not impact competition between market participants because it will affect all market participants equally.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act⁷ and Rule 19b–4(f)(6) thereunder.⁸ Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b–4(f)(6)(iii) thereunder.⁹

A proposed rule change filed under Rule 19b–4(f)(6)¹⁰ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b4(f)(6)(iii),¹¹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b–4(f)(6).

⁹ 17 CFR 240.19b–4(f)(6). In addition, Rule 19b–4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁰ 17 CFR 240.19b–4(f)(6).

¹¹ 17 CFR 240.19b–4(f)(6)(iii).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b–4.

⁴ See TXSE announcement at <https://www.txse.com/trading-membership/member-readiness-and-launch-guide>.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹² of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEAMER-2026-35 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSEAMER-2026-35. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSEAMER-2026-35 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09730 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105448; File No. SR-NYSE-2026-22]

Self-Regulatory Organizations; New York Stock Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7.37 and Correct Rule 7.37(e)

May 12, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder,³ notice is hereby given that on May 1, 2026, New York Stock Exchange LLC ("NYSE" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Rule 7.37 to specify the Exchange's source of data feeds from Texas Stock Exchange ("TXSE") for purposes of order handling, order execution, order routing, and regulatory compliance. The Exchange also proposes to correct the alphabetization of the exchanges listed in Rule 7.37(e). The proposed rule change is available on the Exchange's website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to update and amend the use of data feeds table in Rule 7.37(e), which sets forth on a market-by-market basis the specific securities information processor ("SIP") and proprietary data feeds that the Exchange utilizes for the handling, execution, and routing of orders, and for performing the regulatory compliance checks related to each of those functions. Specifically, in light of the fact that Texas Stock Exchange ("TXSE") has announced that it will launch operations in July 2026,⁴ the Exchange proposes to amend the table in Rule 7.37(e) to specify that the Exchange will use the SIP Data Feed as its primary source of data for order handling, order execution, order routing, and regulatory compliance.

The Exchange also proposes to correct the alphabetization of the exchanges listed in Rule 7.37(e).

The Exchange proposes to make this change operative on the date that TXSE launches operations.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5),⁶ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. Additionally, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes its proposal to add TXSE to the table in Rule 7.37(e) will ensure that the Rule correctly identifies and publicly states on a market-by-market basis all of the specific SIP and proprietary data feeds that the Exchange utilizes for the handling, execution, and routing of orders, and for performing the

⁴ See TXSE announcement at <https://www.txse.com/trading-membership/member-readiness-and-launch-guide>.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

¹² 15 U.S.C. 78s(b)(2)(B).

¹³ 17 CFR 200.30-3(a)(12).

regulatory compliance checks for each of those functions. The proposed rule change also removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest by providing additional specificity, clarity, and transparency in the Exchange's rules.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposal will enhance competition because providing the public and market participants with up-to-date information about the data feeds the Exchange will use for the handling, execution, and routing of orders, as well as for regulatory compliance would enhance transparency and enable investors to better assess the quality of the Exchange's execution and routing services. In addition, the proposed rule change would not impact competition between market participants because it will affect all market participants equally.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act⁷ and Rule 19b-4(f)(6) thereunder.⁸ Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.⁹

A proposed rule change filed under Rule 19b-4(f)(6)¹⁰ normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),¹¹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹² of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSE-2026-22 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090. All submissions should refer to file number SR-NYSE-2026-22. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish

at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² 15 U.S.C. 78s(b)(2)(B).

to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSE-2026-22 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09731 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105464; File No. SR-NSCC-2026-005]

Self-Regulatory Organizations; National Securities Clearing Corporation; Order Approving Proposed Rule Change Concerning a New Customer Net Margin Account Option for Agent Clearing Members in the Securities Financing Transaction Clearing Service

May 12, 2026.

On March 20, 2026, National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange Commission ("Commission") proposed rule change SR-NSCC-2026-005, pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder² (the "Proposed Rule Change"). The Proposed Rule Change would modify the NSCC Rules and Procedures³ ("NSCC Rules") to offer a new net margin account option for Agent Clearing Members in NSCC's Securities Financing Transaction ("SFT") Clearing Service. The Proposed Rule Change was published for comment in the **Federal Register** on March 30, 2026.⁴ The Commission has received no comments on the changes proposed. For the reasons discussed below, the Commission is approving the Proposed Rule Change.

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The NSCC Rules are available at https://www.dtcc.com/-/media/Files/Downloads/legal/rules/nsc_rules.pdf. Capitalized terms not otherwise defined herein are defined in the NSCC Rules.

⁴ See Securities Exchange Act Release No. 105079 (March 25, 2026), 91 FR 15671 (March 30, 2026) (File No. SR-NSCC-2026-005) ("Notice of Filing").

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change,

I. Description of the Proposed Rule Change

A. Background

NSCC is a central counterparty (“CCP”) and provider of clearance and settlement services for transactions in broker-to-broker equity, corporate and municipal bond, and unit investment trust transactions in the U.S. markets. As a CCP, NSCC novates transactions between counterparties, effectively becoming the buyer to every seller and the seller to every buyer, and guarantees settlement of the novated transactions. NSCC’s CCP services are available to entities that are approved under the NSCC Rules to be direct NSCC Members and to other market participants through NSCC’s indirect access models (e.g., as the Sponsored Member of a Sponsoring Member or as the Customer of an Agent Clearing Member).⁵

Securities Financing Transactions (commonly referred to as “securities lending transactions”) consist of a pair of transactions between two parties in which one party (“Transferor”) agrees to transfer securities in exchange for the other party’s (“Transferee”) transfer of cash, and, when clearing such transactions at NSCC, the parties reverse those transfers on the following Business Day.⁶ NSCC introduced its SFT Clearing Service to provide central clearing for SFTs in 2022.⁷ The SFT Clearing Service is available for SFTs entered into between (1) a Member and another Member, (2) a Sponsoring Member and its Sponsored Member (“Sponsored Member Transaction”), and (3) an Agent Clearing Member acting on behalf of a Customer and either a Member or the same or another Agent Clearing Member acting on behalf of a Customer (“Agent Clearing Member Transaction”).⁸ An Agent Clearing Member’s clearing of Agent Clearing Member Transactions for Customers is also referred to in the NSCC Rules as the Customer Clearing Service.⁹

The Customer Clearing Service allows an Agent Clearing Member to act as agent and credit intermediary for its

Customers in clearing SFTs at NSCC. An Agent Clearing Member acts solely as agent of its Customers in connection with the clearing of Agent Clearing Member Transactions; however, the Agent Clearing Member remains fully liable for the performance of all obligations to NSCC arising in connection with Agent Clearing Member Transactions. NSCC primarily designed the Customer Clearing Service to accommodate agent-style trading, in which agent lenders are typically approved to transact in securities lending transactions on behalf of their institutional firm clients. An Agent Clearing Member may establish one or more Agent Clearing Member Customer Omnibus Accounts at NSCC for its Customers’ positions in the name of the Agent Clearing Member for the benefit of its Customers.¹⁰ SFT Accounts are generally margined in accordance with Procedure XV of the NSCC Rules, subject to certain adjustments discussed in Section 12(b) of NSCC Rule 56.¹¹ However, each Agent Clearing Member Customer Omnibus Account may contain only activity where the Agent Clearing Member is acting on behalf of its Customers either as Transferor or Transferee, but not both.¹² As a result, the activity within any Agent Clearing Member Customer Omnibus Account contains only “long” or “short” positions, and there is no offset or netting for margin and Clearing Fund purposes.¹³ The Agent Clearing Member Customer Omnibus Accounts are, therefore, effectively margined on a “gross” basis.¹⁴

NSCC states that Members and other market participants have expressed interest in NSCC offering a net margin account option for SFT Members and their Customers that is similar to the Agent Clearing Service offered by NSCC’s affiliate clearing agency, Fixed Income Clearing Corporation (“FICC”).¹⁵

B. Proposed Changes

1. Establishment and Maintenance of Agent Clearing Member Customer Net Margin Accounts

NSCC proposes to amend the NSCC Rules to adopt a new Agent Clearing Member “net margin” account option for Agent Clearing Members in the SFT Clearing Service (as proposed, the “Agent Clearing Member Customer Net Margin Account”), which would contain activity where the Agent Clearing Member may be acting on behalf of its Customers both as Transferor and Transferee. The proposed Agent Clearing Member Customer Net Margin Accounts would also be margined in accordance with Procedure XV and Section 12(b) of Rule 56 of the NSCC Rules. However, unlike the current Agent Clearing Member Customer Omnibus Accounts, the proposed Agent Clearing Member Customer Net Margin Accounts would allow for the offset and netting of positions for margin and Clearing Fund purposes, resulting in reduced margin requirements that would be more similar to the margin requirements of the SFT Accounts maintained by Members for their own proprietary activity. The Agent Clearing Member would, however, remain fully liable for the performance of all obligations to NSCC arising in connection with Agent Clearing Member Transactions as with the existing Agent Clearing Member Customer Omnibus Accounts.

The proposed Agent Clearing Member Customer Net Margin Accounts would be offered in addition to, but would not replace, NSCC’s existing Agent Clearing Member Customer Omnibus Accounts, which do not allow for netting within or across accounts and are margined on a gross basis for margin and Clearing Fund purposes (hereinafter referred to as “Agent Clearing Member Customer Gross Margin Accounts”).¹⁶ Thus, the Proposed Rule Change would provide an additional way for Agent Clearing Members and their Customers to access NSCC’s SFT Clearing Service while providing enhanced margin and capital efficiency for users of the service, similar to the benefits offered by FICC’s Agent Clearing Service.¹⁷ NSCC states

¹⁰ See Section 5(b) of NSCC Rule 2D and Section 16(b) of NSCC Rule 56, *supra* note 3.

¹¹ See Section 12 of NSCC Rule 56 and Procedure XV of the NSCC Rules, *supra* note 3.

¹² See Section 16(b) of NSCC Rule 56, *supra* note 3. An Agent Clearing Member wishing to act as both Transferee and Transferor on behalf of its Customers currently must establish separate borrowing and lending Agent Clearing Member Customer Omnibus Accounts.

¹³ See Notice of Filing at 15672, *supra* note 4.

¹⁴ See *id.*

¹⁵ See Notice of Filing at 15673, *supra* note 4; Securities Exchange Act Release No. 101694 (Nov. 21, 2024), 89 FR 93784 (Nov. 27, 2024) (SR–FICC–2024–005) (Order Approving a Proposed Rule Change, as Modified by Partial Amendment No. 1, to Modify the GSD Rules to Facilitate Access to Clearance and Settlement of All Eligible Secondary Market Transactions in U.S. Treasury Securities).

⁵ In accordance with the NSCC Rules, Sponsoring Members are permitted to sponsor certain institutional firms into NSCC membership as Sponsored Members, and Agent Clearing Members are permitted to submit, on behalf of their Customers, transactions to NSCC for novation. See NSCC Rule 2C and NSCC Rule 2D, *supra* note 3.

⁶ See NSCC Rule 1, *supra* note 3.

⁷ See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339 (June 6, 2022) (SR–NSCC–2022–003) (Order Approving Proposed Rule Change to Introduce Central Clearing for Securities Financing Transaction Clearing Service). The SFT Clearing Service is governed by NSCC Rule 56, *supra* note 3.

⁸ See Section 1 of NSCC Rule 56, *supra* note 3.

⁹ See NSCC Rule 1, *supra* note 3.

¹⁶ See *supra* note 12 and associated text.

¹⁷ For example, within FICC’s Agent Clearing Service, Clearing Fund requirements for certain customer transactions are calculated on a net basis across all customers whose transactions are recorded within the same account. For other customer transactions, Agent Clearing Members do not bear the cost of financing margin obligations for customer positions. This results in lower margin obligations. Additionally, by allowing Agent Clearing Members to net margin obligations across

that the Proposed Rule Change would further promote the alignment of buy-side access models across CCPs and facilitate broader access to clearance and settlement services for Members and their Customers.¹⁸ The proposed Agent Clearing Member Customer Net Margin Accounts would be governed by NSCC's existing Rules for Agent Clearing Members¹⁹ and the SFT Clearing Service²⁰ and would be margined and risk-managed in the same manner as a Member's proprietary SFT Account activity at NSCC.

2. General Clarifications Regarding the Submission of Agent Clearing Member Transactions

The Proposed Rule Change would make several revisions to the NSCC Rules regarding the SFT Clearing Service that are not exclusive to the new Agent Clearing Member Customer Net Margin Accounts. Specifically, the Proposed Rule Change would revise the NSCC Rules to clarify that an Agent Clearing Member (1) acts as agent on behalf of its Customer(s) when the Agent Clearing Member submits Agent Clearing Member Transactions to NSCC for novation, and (2) may elect to maintain one or more Agent Clearing Member Customer Omnibus Accounts. Additionally, the Proposed Rule Change would revise the NSCC Rules to clarify the existing requirement for submitted SFT transaction data to include a designated account in which the SFT shall be recorded, and that any such designation shall constitute a representation that the SFT is of a type that may be recorded in such account. NSCC states that these revisions are designed to provide additional clarity for market participants to better understand the requirements for submitting Agent Clearing Member Transaction data for Agent Clearing Member Customer Omnibus Accounts, including the new Agent Clearing Member Customer Net Margin Accounts and the existing Agent Clearing Member Customer Gross Margin Accounts.²¹

3. Clarifications Regarding Netting, Close-Out, and Default Management Within the SFT Clearing Service

The Proposed Rule Change would revise certain NSCC Rule provisions

multiple customers, FICC's Agent Clearing Service reduces capital requirements for Agent Clearing members. By reducing margin obligations and capital requirements, Agent Clearing Members can lower their costs and potentially pass these savings on to their customers. See 89 FR 93784–85, 93799, *supra* note 15.

¹⁸ See Notice of Filing at 15673, *supra* note 4.

¹⁹ See NSCC Rule 2D, *supra* note 3.

²⁰ See NSCC Rule 56, *supra* note 3.

²¹ See Notice of Filing at 15673, *supra* note 4.

regarding netting, close-out, and default management within the SFT Clearing Service. Specifically, the Proposed Rule Change would revise the NSCC Rule provisions regarding the netting and close-out treatment of Agent Clearing Member Customer Omnibus Accounts in the event of an Agent Clearing Member Default. The revised NSCC Rules would provide that when NSCC ceases to act for an Agent Clearing Member, NSCC would terminate the ability of the Agent Clearing Member to submit Agent Clearing Member Transactions; however, NSCC would continue to process any Agent Clearing Member Transactions that NSCC has already novated. The revised NSCC Rules would further provide that in the event of a cease to act, NSCC would have the authority to determine whether to close-out open Agent Clearing Member Transactions or permit them to settle.²²

Additionally, the Proposed Rule Change would revise the NSCC Rule provisions regarding NSCC's cease to act procedures for SFT Members with open SFTs established in an Agent Clearing Member Customer Net Margin Account, Agent Clearing Member Customer Gross Margin Account, or Sponsored Member Sub-Account. Specifically, the revised NSCC Rules would clarify the netting treatment for closed-out SFT Positions in each type of account to correspond with the "gross" or "net" nature of the account. The revised NSCC Rules would also provide for NSCC's authority to close-out offsetting SFT Long and Short Positions in the same SFT Security without taking market action to close-out such positions. In such a situation, NSCC would be allowed to determine the loss or profit resulting from the close-out of such SFT Positions through its other market actions or by reference to market data, thereby avoiding the costs or risks of market action.²³

4. Other Non-Substantive Clarifications

Finally, the Proposed Rule Change would make non-substantive drafting changes to Section 14 of NSCC Rule 56 to clarify (1) that any Sponsored Member Transactions or Agent Clearing Member Transactions for which the Defaulting SFT Member is the Sponsoring Member or Agent Clearing Member, and which have been novated to NSCC, shall continue to be processed by NSCC, and (2) NSCC's discretion to determine whether to close-out or settle

the relevant SFT Positions in a Defaulting SFT Member's account(s).

II. Discussion and Commission Findings

Section 19(b)(2)(C) of the Act²⁴ directs the Commission to approve a proposed rule change of a self-regulatory organization if it finds that such proposed rule change is consistent with the requirements of the Act and rules and regulations thereunder applicable to such organization. After carefully considering the Proposed Rule Change, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to NSCC. In particular, the Commission finds that the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act²⁵ and Rules 17ad-22(e)(6),²⁶ 17ad-22(e)(13),²⁷ 17ad-22(e)(19),²⁸ and 17ad-22(e)(21),²⁹ each promulgated under the Act.

A. Consistency With Section 17A(b)(3)(F) of the Act

Section 17A(b)(3)(F) of Act³⁰ requires, in part, that the rules of a clearing agency be designed to promote the prompt and accurate clearance and settlement of securities transactions, and to assure the safeguarding of securities and funds which are in the custody or control of the clearing agency or for which it is responsible, and protect investors and the public interest.

As described above in section I.B.1, NSCC proposes to adopt a new account option for Agent Clearing Members in the SFT Clearing Service that would allow for the offset and netting of positions for margin and Clearing Fund purposes. Additionally, NSCC proposes changes to the NSCC Rules concerning the SFT Clearing Service in general, to (1) clarify certain requirements for the submission of Agent Clearing Member Transactions, as described above in section I.B.2, (2) provide updated default management provisions regarding Agent Clearing Member Customer Omnibus Accounts and Sponsored Member Sub-Accounts, as described above in section I.B.3, and (3) make non-substantive drafting changes to Section 14 of NSCC Rule 56, as described above in section I.B.4.

NSCC's proposed changes to establish Agent Clearing Member Customer Net Margin Accounts described above in

²⁴ 15 U.S.C. 78s(b)(2)(C).

²⁵ 15 U.S.C. 78q-1(b)(3)(F).

²⁶ 17 CFR 240.17ad-22(e)(6).

²⁷ 17 CFR 240.17ad-22(e)(13).

²⁸ 17 CFR 240.17ad-22(e)(19).

²⁹ 17 CFR 240.17ad-22(e)(21).

³⁰ 15 U.S.C. 78q-1(b)(3)(F).

section I.B.1 are designed to encourage and facilitate the utilization of NSCC's SFT Clearing Service by a greater number of market participants. Specifically, the proposed changes would extend the benefits of central clearing to a broader segment of the SFT market, including firms that would offer or participate through NSCC's SFT Customer Clearing Service using the proposed Agent Clearing Member Customer Net Margin Accounts.

Additionally, the proposed changes described above in section I.B.2 to clarify the NSCC Rules regarding (1) an Agent Clearing Member's agent obligations, (2) the ability of an Agent Clearing Member to maintain one or more Agent Clearing Member Customer Omnibus Accounts, and (3) account designation when submitting SFT transaction data to NSCC, would also encourage participation in central clearing by improving market participants' understanding of their rights and obligations when participating in the SFT Clearing Service. Similarly, the proposed changes described above in section I.B.3 to adopt and clarify the relevant default management provisions in the NSCC Rules would encourage participation in central clearing by improving market participants' understanding of NSCC's default management procedures applicable to the SFT Clearing Service and should help market participants better evaluate whether and how the SFT Clearing Service fits their individual needs.

CCP rules that encourage market participants to centrally clear their securities transactions promote the prompt and accurate clearance and settlement of such transactions, providing benefits to the CCP, its participants, and the broader market. Greater participation in central clearing decreases the overall amount of counterparty credit risk in the securities markets because a CCP guarantees trade settlement in the event of a default and the CCP is able to centrally risk-manage more transactions, pursuant to risk management procedures that the Commission has reviewed and approved.³¹ Additionally, greater participation in central clearing promotes the prompt and accurate clearance and settlement of securities transactions by helping market participants avoid potential disorderly default scenarios. A CCP, which has guaranteed both sides of a trade, is uniquely positioned to coordinate a defaulting participant's transactions.

The CCP's non-defaulting participants can rely on the CCP to complete the defaulting participant's transactions and cover any resulting losses using the defaulting participant's resources and/or other default management tools. By contrast, defaults in non-centrally cleared bilaterally settled transactions are likely to be less orderly and subject to variable default management techniques because such transactions are not subject to default management procedures that are required to be in place and publicly disclosed by a CCP.³²

CCP rules that are clear and comprehensible encourage greater participation in central clearing by enabling market participants to better understand the rights and obligations of participating in the CCP. Encouraging greater participation in central clearing would extend the risk mitigation benefits of central clearing to more securities transactions. Therefore, clear and comprehensible CCP rules would promote the prompt and accurate clearance and settlement of securities transactions, and protect investors and the public interest. Moreover, CCP rules that are designed to increase the clarity of the CCP's default management procedures promote the prompt and accurate clearance and settlement of securities transactions, and protect investors and the public interest, by ensuring that the CCP and its participants can manage a default smoothly and with less risk to the market.

NSCC's proposals to (1) establish Agent Clearing Member Customer Net Margin Accounts, as described above in section I.B.1, (2) clarify the rights and obligations of Agent Clearing Members, as described above in section I.B.2, and (3) adopt relevant default management provisions in the NSCC Rules, as described above in section I.B.3 would promote the prompt and accurate clearance and settlement of securities transactions, and protect investors and the public interest, by encouraging

greater participation in central clearing, thereby ensuring that a greater proportion of securities transactions are subject to the risk mitigation benefits of central clearing described above.³³ Additionally, NSCC's proposed non-substantive clarifications to the NSCC Rules, as described above in section I.B.4, would also promote the prompt and accurate clearance and settlement of securities transactions, and protect investors and the public interest, by ensuring that the NSCC Rules are clear and comprehensible, which would enable market participants to better understand their rights and obligations in connection with NSCC's clearance and settlement services.³⁴

Finally, NSCC's proposal to adopt default management provisions relevant to the SFT Clearing Service in the NSCC Rules, as described in section I.B.3, would provide clarity to better prepare market participants to deal with a participant default, resulting in a more orderly management of such an event, minimizing default losses and reducing potential risk to NSCC and its non-defaulting participants. Accordingly, the proposed changes would ensure the safeguarding of securities and funds in NSCC's custody or control.³⁵

For the foregoing reasons, the Proposed Rule Change is consistent with promoting the prompt and accurate clearance and settlement of securities transactions, protecting investors and the public interest, and assuring the safeguarding of securities and funds which are in NSCC's custody or control, consistent with Section 17A(b)(3)(F) of the Act.³⁶

B. Consistency With Rule 17ad-22(e)(6)(i)

Rule 17ad-22(e)(6)(i)³⁷ under the Act requires that each covered clearing agency that provides CCP services establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, considers, and produces margin levels commensurate with, the risks and particular attributes of each relevant product, portfolio, and market.

As described above in section I.B.1, the Agent Clearing Member Transactions submitted within the new Agent Clearing Member Customer Net Margin Accounts would be margined in

³² A covered clearing agency is required to establish, implement, maintain and enforce written policies and procedures reasonably designed to, as applicable, ensure that it has the authority and operational capacity to contain losses and liquidity demands and continue to meet its obligations, which must be tested annually, and publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures. See Rule 17ad-22(e)(13) and (e)(23)(i). See also Covered Clearing Agency Standards Proposing Release, Securities Exchange Act Release No. 71699 (Mar. 12, 2014), 79 FR 29507, 29545 (May 27, 2014) (stating that a CCP's default management procedures would provide certainty and predictability about the measures available to a CCP in the event of a default which would, in turn facilitate the orderly handling of member defaults and would enable members to understand their obligations to the CCP in extreme circumstances).

³¹ See Section 19(b) of the Act and Rule 19b-4 thereunder.

³³ See 15 U.S.C. 78q-1(b)(3)(F).

³⁴ See *id.*

³⁵ See *id.*

³⁶ See *id.*

³⁷ 17 CFR 240.17ad-22(e)(6)(i).

accordance with Procedure XV and Section 12(b) of Rule 56 of the NSCC Rules, in the same manner as a Member's proprietary SFT Account activity at NSCC. NSCC's margin methodology with respect to the SFT Clearing Service has already been subject to the Commission's review and approval.³⁸ Because NSCC applies a risk-based margin methodology, tailored to address SFTs, the Proposed Rule Change is reasonably designed to cover NSCC's credit exposures from SFT participants, consistent with Rule 17ad-22(e)(6)(i).³⁹

C. Consistency With Rule 17ad-22(e)(13)

Rule 17ad-22(e)(13)⁴⁰ under the Act requires that each covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to, among other things, ensure the covered clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations.

As described above in section I.B.3, NSCC proposes to adopt and clarify the default management provisions in the NSCC Rules applicable to the SFT Clearing Service. Adopting and clarifying the relevant default management provisions in the NSCC Rules would improve market participants' understanding of NSCC's default management procedures. NSCC's proposals in this regard would better prepare market participants to deal with default scenarios, resulting in more orderly management of such events, minimizing default losses and reducing potential risk to NSCC and its non-defaulting participants.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(13) because implementing rules that govern default management procedures would help ensure that NSCC has the authority and capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations.⁴¹

D. Consistency With Rule 17ad-22(e)(19)

Rule 17ad-22(e)(19)⁴² under the Act requires that each covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to

identify, monitor, and manage the material risks to the covered clearing agency arising from arrangements in which firms that are indirect participants in the covered clearing agency rely on the services provided by direct participants to access the covered clearing agency's payment, clearing, or settlement facilities.

As described above in section I.B.3, NSCC proposes to adopt and clarify the default management provisions in the NSCC Rules applicable to the SFT Clearing Service that address default scenarios affecting, among others, NSCC's indirect participants (*i.e.*, Sponsored Members and Customers). The revised NSCC Rules include targeted risk management provisions regarding NSCC's netting and close-out procedures designed to enhance NSCC's ability to manage its exposures in the event of an Agent Clearing Member or Sponsoring Member Default. The revised NSCC Rules should, therefore, better prepare NSCC to deal with default scenarios, resulting in more orderly management of such events, minimizing default losses and reducing potential risk to NSCC and its non-defaulting participants.

Accordingly, the Proposed Rule Change is consistent with Rule 17ad-22(e)(19) because adopting and clarifying the NSCC Rules regarding the default management provisions affecting NSCC's indirect participants would better enable NSCC to manage the material risks arising from arrangements in which indirect participants rely on direct participants to access NSCC's payment, clearing, and settlement facilities.⁴³

E. Consistency With Rule 17ad-22(e)(21)

Rule 17ad-22(e)(21)⁴⁴ under the Act requires that each covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to, among other things, be efficient and effective in meeting the requirements of its participants and the markets it serves.

As described above in section I.B.1, NSCC states that Members and other market participants have expressed interest in NSCC offering a net margin account option for SFT Members and their Customers. The Proposed Rule Change is consistent with Rule 17ad-22(e)(21) because establishing Agent Clearing Member Customer Net Margin Accounts is responsive to meeting the

requirements of NSCC's participants and the SFT market.⁴⁵

III. Conclusion

On the basis of the foregoing, the Commission finds that the Proposed Rule Change is consistent with the requirements of the Act and the rules and regulations promulgated thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act⁴⁶ that proposed rule change SR-NSCC-2026-005 be, and hereby is, *approved*.⁴⁷

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁸

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09743 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105456; File No. SR-NYSE-2026-09]

Self-Regulatory Organizations; NYSE National, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend the Exchange's Rules To Enable the Trading of Securities on the Exchange in Tokenized Form

May 12, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 1, 2026, NYSE National, Inc. ("NYSE National" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to adopt Rule 7.39 and amendments to Rules 1.1, 7.36, 7.37 and 7.41 to enable the trading of

⁴⁵ See *id.*

⁴⁶ 15 U.S.C. 78s(b)(2).

⁴⁷ In approving the proposed rule change, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁴⁸ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

³⁸ See Securities Exchange Act Release No. 95011 (May 31, 2022), 87 FR 34339, 34344 (June 6, 2022) (File No. SR-NSCC-2022-003).

³⁹ 17 CFR 240.17ad-22(e)(6)(i).

⁴⁰ 17 CFR 240.17ad-22(e)(13).

⁴¹ See *id.*

⁴² 17 CFR 240.17ad-22(e)(19).

⁴³ See *id.*

⁴⁴ 17 CFR 240.17ad-22(e)(21).

securities on the Exchange in tokenized form during the pendency of a pilot program to be operated by the Depository Trust Company (“DTC”) pursuant to the terms of a December 11, 2025 Securities and Exchange Commission (“Commission”) Staff no-action letter. The proposed rule change is available on the Exchange’s website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt Rule 7.39 (Tokenized Securities) and amend Rule 1.1 (Definitions), Rule 7.36 (Order Ranking and Display), Rule 7.37 (Order Execution and Routing), and Rule 7.41 (Clearance and Settlement) to enable the trading of securities on the Exchange in tokenized form during the pendency of a pilot program to be operated by DTC pursuant to the terms of a December 11, 2025 Commission Staff no-action letter⁴ (“DTC Pilot Program”). As described below, the proposed rule change is based on the rules of The Nasdaq Stock Market LLC (“Nasdaq”).

Background and Proposed Rule Change

The proposed rule change would establish that Exchange ETP Holders that are eligible to participate in the DTC Pilot Program (“DTC Eligible Participants”)⁵ may trade tokenized versions of those equity securities and

exchange traded products on the Exchange that are eligible for tokenization as part of the DTC Pilot Program (“DTC Eligible Securities”), pursuant to the terms of the No-Action Letter. Pursuant to the proposed changes, DTC Eligible Securities would be able to trade on the Exchange within the current national market system, using DTC to clear and settle trades in token form, per order handling instructions that DTC Eligible Participants may select upon entering their orders for DTC Eligible Securities on the Exchange.⁶

The Exchange’s rules do not currently permit the trading of tokenized securities on the Exchange and, unless the Exchange adopts the proposed rules, the Exchange would lack a clear framework for DTC Eligible Participants to designate, at order entry, that a DTC Eligible Security be cleared and settled in tokenized form pursuant to the DTC Pilot Program.⁷

The Exchange accordingly proposes to amend its rules to enable the trading of DTC Eligible Securities in tokenized form on the Exchange during the pendency of the DTC Pilot Program, subject to the same conditions and restrictions as the Nasdaq rule change approved by the Commission. The Exchange believes that the existing regulatory structure mandated by Congress applies to tokenized securities, regardless of whether such securities have certain unique properties like the ability to be settled on a blockchain, much like it did when the Commission allowed securities to be decimalized and electronic and when exchange traded funds and other novel securities were initially approved. The Exchange believes that no significant exemptions or parallel market structure constructs are needed for tokenized securities to trade alongside other securities, and that the markets can accommodate

tokenization while continuing to provide the benefits and protections of the national market system.⁸

To tackle the challenge of trading tokenized equities, the Exchange offers a simple proposal that accommodates an approach to tokenization that DTC is pursuing in the DTC Pilot Program. The Exchange believes that this approach will leverage existing structures, players, and rules in a way that is beneficial to investors and in the markets’ best interests.

The proposed rules provide that the term “tokenized” refers to digital representations of paper securities that utilize digital ledger or blockchain technology, as opposed to “traditional” securities, which are also digital representations of paper securities, but do not utilize blockchain technology. As long as DTC Eligible Securities are fungible with, have the same CUSIP number and trading symbol as, and afford their holders the same rights and privileges as traditional securities of an equivalent class, the Exchange will trade DTC Eligible Securities in tokenized form together with traditional securities on the same order book and according to the same execution priority rules. A tokenized DTC Eligible Security would be deemed to provide the same rights and privileges as a traditional security if, among other things, it conveys an equity interest in an underlying company, a right to receive any dividends that the company issues to its shareholders, a right to exercise any voting rights that shareholders are due, and a right to receive a share of the residual assets of the company upon liquidation. The Exchange will not treat tokenized instruments as equivalent to their traditional counterparts if they do not convey such rights or share the same CUSIP and trading symbol; instead, the Exchange will treat these instruments as distinct (e.g., derivative securities or American Depositary Receipts).⁹

As noted above, the Exchange proposes to trade DTC Eligible Securities within the confines of existing securities laws and rules. All existing Exchange rules that currently

⁶ The Exchange is assessing various methods of tokenization and trading of tokenized securities. If the Exchange plans to adopt any particular alternative to the DTC approach, then it will file rule proposals with the Commission before doing so.

⁷ Nasdaq recently amended its rules to enable the trading of securities in tokenized form during the pendency of the DTC Pilot Program. See Securities Exchange Act Release No. 105047 (March 18, 2026), 91 FR 13900 (March 23, 2026) (SR–NASDAQ–2025–072) (Order Approving Proposed Rule Change, as Modified by Amendment No. 2, to Amend the Exchange’s Rules to Enable the Trading of Securities on the Exchange in Tokenized Form) (“Nasdaq Approval Order”). See also Securities Exchange Act Release No. 104693 (Jan. 27, 2026), 91 FR 4138 (Jan. 30, 2026) (SR–NASDAQ–2025–072) (Notice of Filing of a Proposed Rule Change, as Modified by Amendment No. 2, To Amend the Exchange’s Rules To Enable the Trading of Securities on the Exchange in Tokenized Form) (“Nasdaq Amendment No. 2”).

⁸ Section 11A of the Act states that “[t]he linking of all markets for qualified securities . . . will foster efficiency, enhance competition, increase the information available to brokers, dealers, and investors, facilitate the offsetting of investors’ orders, and contribute to best execution of such orders” such that Congress directed the Commission to “use its authority under this chapter to facilitate the establishment of a national market system for securities.” 15 U.S.C. 78k–1(a). Permitting the trading of tokenized securities on the Exchange will further these policy objectives.

⁹ This rule proposal does not address whether and how the Exchange may choose to trade these non-fungible tokenized instruments in the future pursuant to a proposed Rule change.

⁴ See No-Action Letter Request Related to The Depository Trust Company’s Development of the DTCC Tokenization Services, dated December 11, 2025, available at <https://www.sec.gov/files/tm/no-action/dtc-nal121125.pdf> (the “No-Action Letter”).

⁵ “DTC Eligible Participant” would be defined in proposed rule 7.37(b)(10) as “an ETP Holder that is eligible to participate in the Depository Trust Company’s (‘DTC’) three-year tokenization pilot program, pursuant to its terms and those of the Securities and Exchange Commission Staff no-action letter, dated December 11, 2025 (the ‘No-Action Letter’).”

apply to non-tokenized securities will continue to apply, without modification, except as set forth below.

To effectuate these changes, the Exchange proposes to adopt Rule 7.39 and amendments to Rules 1.1, 7.36, 7.37 and 7.41, as follows.

Rule 1.1

The Exchange proposes to amend the definition of “Security” in Rule 1.1 to add a clause similar to that in Equity 1, Nasdaq Section 1 providing that the definition of security encompasses securities that are either listed on the Exchange or traded on the Exchange pursuant to unlisted trading privileges. As amended, Rule 1.1 would provide as follows (proposed additions *italicized*):

The terms “Security” and “Securities” means any security as defined in [Rule]Section ¹⁰ 3(a)(10) under the Exchange Act, *as amended, that is either listed on the Exchange or traded on the Exchange pursuant to unlisted trading privileges*; provided, however, that for purposes of Rule 7, such term means any NMS stock.

Rule 7.39

The Exchange proposes a new Rule 7.39 titled “Tokenized Securities.”¹¹ As proposed, Rule 7.39 would provide that a security may be traded on the Exchange in either traditional form (a digital representation of ownership and rights, but without utilizing a distributed ledger technology (defined as “blockchain” technology) or, for the duration and under the terms of the DTC Pilot Program, in tokenized form (a digital representation of ownership and rights which utilizes blockchain technology). Proposed Rule 7.39 would further provide that DTC Eligible Participants may trade DTC Eligible Securities in tokenized form on the Exchange during the duration of, and pursuant to the terms of, the DTC Pilot Program.

In addition, proposed Rule 7.39 would provide that the Exchange would publish Trader Updates periodically to identify a current list of those DTC Eligible Securities that may trade in tokenized form on the Exchange.

Under proposed Rule 7.39, a share of a tokenized DTC Eligible Security will be tradable on the Exchange together with, and with the same execution priority as, its traditional counterpart, but only if the tokenized security is fungible with, shares the same CUSIP number and trading symbol, and affords

its shareholders the same rights and privileges as does a share of an equivalent class of the traditional security. Except for internal rule cross-references to Exchange rules and minor grammatical differences, the proposed language is substantially the same as Nasdaq Equity 1, Section 1.

Rule 7.36

The Exchange proposes to amend Rule 7.36, which governs order ranking and display, to add a new Commentary .01 providing that the mere fact that an order contains tokenized securities or indicates a preference of a DTC Eligible Participant to clear and settle DTC Eligible Securities in tokenized form will not affect the priority in which the Exchange executes that order. Except for internal cross-references to Exchange rules and minor grammatical differences, the language of proposed Rule 7.36.01 is substantially the same as Equity 4, Nasdaq Rule 4757.

Rule 7.37

The Exchange proposes to amend Rule 7.37, which governs routing, to add a new subsection (b)(10) that would provide that when the Exchange routes orders in DTC Eligible Securities that DTC Eligible Participants have designated for clearing and settlement in tokenized form in accordance with proposed Rule 7.41, Commentary 01 [sic], the Exchange will communicate this tokenization instruction to DTC upon receiving an execution for an order that was routed to another trading venue. Except for certain non-substantive differences,¹² the proposed language in Rule 7.37(b)(10) is substantially the same as Equity 4, Nasdaq Rule 4758.

Rule 7.41

The Exchange proposes to add a new Commentary .20 to Rule 7.41, which governs clearance and settlement, describing how a DTC Eligible Participant can communicate its desire to clear and settle a DTC Eligible Security in tokenized form.

Proposed Commentary .20 to Rule 7.41 would provide that a DTC Eligible Participant (as defined in Rule 7.37(b)(10)) that wishes for its order in a DTC Eligible Security to clear and settle in tokenized form as part of the DTC Pilot Program must notate its preference upon entry of the order in

the Exchange systems by selecting a tokenization flag that the Exchange designates for this purpose, in accordance with the Exchange’s procedures. When a DTC Eligible Participant enters an order for a DTC Eligible Security with the tokenization flag selected, the Exchange will communicate the DTC Eligible Participant’s tokenization preference to DTC on a post-trade basis. The flag will indicate the DTC Eligible Participant’s preference as to what form the security will take (*i.e.*, token or traditional) and may also include other information or instructions that DTC may require the DTC Eligible Participant to enter, in accordance with DTC’s rules, policies, and procedures, and the terms of the No-Action Letter, to effectuate the flag, such as the DTC Eligible Participant’s selection of a blockchain and a digital wallet address for a tokenized DTC Eligible Security (the Exchange will issue a Trader Update prior to requiring a DTC Eligible Participant to enter any such information or instructions to the flag, other than its tokenization preference). DTC will then carry out the DTC Eligible Participant’s tokenization preference, as set forth in the flag, as well as any instructions attendant thereto to the extent that the flag or instruction is executable in accordance with DTC’s rules, policies, and procedures, and the terms of the No-Action Letter.

Proposed Commentary .20 to Rule 7.41 further provides that Exchange systems will not determine whether an ETP Holder is a DTC Eligible Participant or whether a security is a DTC Eligible Security at the time of order entry and selection of the tokenization flag. The Exchange also will not determine whether DTC is able to execute a tokenization order for other reasons, including because the DTC Eligible Participant wishes to mint the token to a blockchain that is not compatible with the DTC Pilot Program or to a digital wallet that is not registered with DTC.¹³ Thus, if at the time of order entry, an ETP Holder is not a DTC Eligible

¹³ According to the No-Action Letter, any DTC participant would be permitted—at the DTC participant’s election—to participate in the DTC pilot tokenization services, with certain exceptions for participants for which DTC has U.S. tax withholding or reporting obligations, or a Treasury International Capital reporting obligation. *See* No-Action Letter, *supra* note 4.

Additionally, the No-Action Letter states that DTC will not execute a tokenization instruction if a DTC Eligible Participant cannot pass DTC’s risk management and compliance controls. *See id.* If a transaction would result in a participant breaching its Net Debit Cap (as defined in the No-Action Letter), then the control would not allow that transaction to process until it could do so without breaching the cap. *See id.*

¹⁰ The proposed replacement of “Rule” with “Section” would correct a citation error in the current rule.

¹¹ Rule 7.39, currently titled “Reserved,” would have its title changed to “Tokenized Securities.”

¹² The non-substantive differences include internal cross-references to Exchange rules, minor grammatical differences, and the addition of defined terms, including the definition of “DTC Eligible Participant,” which the Exchange proposes to define in Rule 7.37(b)(10) and Nasdaq has defined in Equity 4, Nasdaq Rule 4756.

Participant, the security selected for tokenization is not a DTC Eligible Security, or there are other reasons why DTC cannot execute a tokenization preference or instruction, the order will be settled in traditional (non-tokenized) form, in accordance with DTC's rules, policies, and procedures. It is the sole responsibility of ETP Holders to determine for themselves whether they are DTC Eligible Participants, whether the securities subject to an order are DTC Eligible Securities, whether the blockchains and wallets to which they wish to mint tokens are compatible with the DTC Pilot Program, and whether the tokenization instruction is otherwise consistent with the terms of that program and the No-Action Letter.¹⁴

Again, except for certain non-substantive differences,¹⁵ proposed Rule 7.41.20 is substantially the same as Equity 4, Nasdaq Rule 4756.

General Considerations

Other than as described above, from an Exchange system and matching engine perspective, the Exchange's trading procedures and behavior will be the same regardless of whether a DTC Eligible Participant opts to trade tokenized or traditional shares of a DTC Eligible Security.¹⁶ Among other things, the following aspects of the Exchange's current trading system and procedures will not change when trading tokenized securities:

- All Exchange order types and modifiers will be available for use with tokenized securities;
- All Exchange routing strategies will be available for orders in tokenized securities;
- Orders in tokenized securities may participate in all of the Exchange's trading sessions, subject to generally applicable eligibility criteria;
- ETP Holders may utilize their existing connectivity to enter orders in tokenized securities;
- The Exchange's fee schedule will not vary based upon whether shares that ETP Holders execute are tokenized or traditional in nature;
- Market data feeds will not differentiate between tokenized and traditional securities;

- The Exchange will comply with any Commission requirements to report tokenization data to the Consolidated Audit Trail;

- Market surveillance of tokenized and traditional securities will rely upon the same underlying data, which will continue to be accessible by the Exchange and the Financial Industry Regulatory Authority ("FINRA");

- Trades in tokenized securities handled by DTC will continue to settle on a T+1 basis;

- The Exchange's clearly erroneous and risk management measures will cover tokenized securities; and

- Trading of tokenized securities under this proposal is not expected to alter the existing proxy distribution process.¹⁷

This proposal to offer trading in tokenized securities will become effective once the requisite infrastructure and post-trade settlement services have been established by DTC. The Exchange understands that DTC is working to develop the necessary infrastructure, services, and procedures to facilitate such tokenization and the related post-trade settlement infrastructure and services.¹⁸ On December 11, 2025, the No-Action Letter was issued, which enables DTC to begin providing services that support the Exchange's proposal as soon as this development is complete.

Securities that are DTC Eligible Securities—meaning that they are eligible for tokenization and de-tokenization as part of the DTC tokenization pilot program—will be limited to the following, for purposes of this proposal: (i) securities in the Russell 1000 Index at the time the service launches as well as any additions to the index thereafter and notwithstanding the subsequent removal of any securities from the index; and (ii) exchange traded funds that track major indices. These categories of DTC Eligible Securities will be the only tokenized equities that are available to trade on the Exchange under this proposal.

The Exchange will alert its ETP Holders in a Trader Update at least 30

calendar days before the Exchange begins trading DTC Eligible Securities in tokenized form on its market.

DTC states that it will provide tokenization services on a pilot basis, as described above, for a period of three years after launch, after which time DTC will sunset the service.¹⁹ Thus, the Exchange will revisit this rule proposal when it knows what, if anything, will replace the service after it sunsets.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,²⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,²¹ in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest by strengthening the Exchange's ability to oversee and police its marketplace.

The Exchange believes that the proposed rule change is consistent with the Act because it would enable the trading of tokenized securities within the existing framework of the national market system, without requiring wholesale exemptions from investor protections. The proposed amendments are narrowly tailored to accommodate the DTC Pilot Program while preserving the integrity, efficiency, and investor protections of the Exchange's existing trading rules. The Exchange believes that all existing Commission and Exchange rules that currently apply to non-tokenized securities will continue to apply, without modification, to the trading of tokenized securities, except as expressly provided herein. The Exchange also believes that the proposed rule change is not designed to permit unfair discrimination between customers, brokers and dealers, consistent with Section 6(b)(5) of the Act.²² The proposal is not designed to permit unfair discrimination between brokers and dealers because the proposed changes will apply equally to all similarly situated ETP Holders

¹⁴ If the Exchange develops the functionality that would allow it to check for eligibility at order entry, it will submit a rule proposal to effectuate that functionality at the appropriate time.

¹⁵ The non-substantive differences include references to ETP Holders, internal cross-references to Exchange rules, minor grammatical differences, and the movement of the definition of DTC Eligible Participant to proposed Rule 7.37(b)(10).

¹⁶ The Exchange's pricing structure and rates will not vary depending upon whether a transaction involves a share of a tokenized security. See also *supra* note 6.

¹⁷ According to DTC, a DTC Eligible Participant may need to issue a de-tokenization instruction or DTC may need to force conversion of the Tokenized Entitlement into a Book-Entry Entitlement in order to receive a distribution or replacement security or to issue instructions in relation to the corporate action. In such situations, DTC would, to the extent feasible, provide the relevant participants with advance notice of the need to provide such instruction or DTC's need to take such action. See note 4, *supra*. "Tokenized Entitlement" and "Book-Entry Entitlement" are used as defined in the No-Action Letter. See *id.* at 2–3.

¹⁸ See *id.*

¹⁹ See DTCC, No-Action Letter and DTC Tokenization Service FAQ, at 1, available at <https://www.dtcc.com/-/media/Files/Downloads/digital-assets/dtc-tokenization-service-faq.pdf>.

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

²² 15 U.S.C. 78f(b)(5).

seeking to trade tokenized securities on the Exchange.

The Exchange further believes the proposed rule change furthers the objectives of Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices. The proposed rule change ensures that tokenized securities may only be traded on the Exchange if they are fungible with, share the same CUSIP number and trading symbol as, and afford their holders the same rights and privileges as, traditional securities of an equivalent class. By tethering tokenized securities to their traditional counterparts in this manner, the proposal eliminates the potential for price dislocation, manipulation, and investor confusion that could arise from the trading of tokenized instruments outside the national market system. In addition, all Exchange rules, including rules governing clearly erroneous transactions, short sales, risk management, and market surveillance will apply equally to tokenized and traditional securities. Market surveillance of tokenized and traditional securities will rely upon the same underlying data, which will continue to be accessible by the Exchange and FINRA. Trades in tokenized securities handled by DTC will continue to settle on a T+1 basis. The Exchange's clearly erroneous and risk management measures will cover tokenized securities.

The Exchange also believes the proposed rule change furthers the objectives of Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade and to remove impediments to and perfect the mechanism of a free and open market and a national market system. The Commission has previously approved rules of another national securities exchange—Nasdaq—enabling the trading of tokenized securities. The Exchange's proposal to adopt comparable rules to allow DTC Eligible Participants to trade DTC Eligible Securities in tokenized form on the Exchange, subject to the same conditions and restrictions as approved for Nasdaq, promotes a fair, consistent, and interoperable national market system framework for tokenized securities trading. ETP Holders will be able to access tokenized securities trading across multiple exchanges on equivalent terms, promoting competition and efficient price discovery. The Exchange will comply with any Commission requirements to report tokenization data to the Consolidated Audit Trail, further supporting the integrity and

transparency of the national market system.

In addition, the Exchange believes that the proposed rule change is not designed to permit unfair discrimination between customers, brokers and dealers, consistent with Section 6(b)(5) of the Act²³ because the proposed changes will apply equally to all similarly situated ETP Holders seeking to trade tokenized securities on the Exchange. All DTC Eligible Participants will be subject to the same conditions for tokenized trading, including the requirement to select a tokenization flag at order entry, and all DTC Eligible Securities will be subject to the same fungibility, CUSIP, and rights requirements. The Exchange will not impose conditions on tokenized trading that favor any particular ETP Holders or class of securities over any other.

Finally, the Exchange believes the proposed rule change is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, consistent with Section 6(b)(5) of the Act. The Exchange's proposal is expressly designed to work in coordination with the DTC Pilot Program, pursuant to the No-Action Letter. The proposed rules establish a clear and workable framework for the Exchange, DTC, and Exchange ETP Holders to cooperate in enabling the clearing and settlement of tokenized securities through the existing post-trade infrastructure. This cooperative approach, leveraging DTC's established role as the nation's central securities depository, ensures that tokenized securities trading occurs within a safe, regulated, and transparent framework that protects investors and promotes the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change would enable the trading of tokenized securities on the Exchange in a manner that is consistent with the approved rules of another national securities exchange for the same purpose. Facilitating access to tokenized securities across multiple exchanges promotes competition and is in the interest of investors and the investing public. The proposed rule change does not impose any barriers to entry for ETP Holders and does not create any competitive disadvantages

²³ 15 U.S.C. 78f(b)(5).

between and among market participants. The Exchange believes the proposed rule changes, taken together, will strengthen the Exchange's ability to carry out its role and responsibilities as a self-regulatory organization in connection with the trading of tokenized securities. As such, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that its proposal will be particularly attractive because it will provide for the trading of tokenized DTC Eligible Securities in a manner that is familiar to market participants and investors and which is consistent with existing laws and rules. Under this proposal, the extent to which ETP Holders will need to modify their back-end systems and practices to accommodate tokenized securities trading should be minimal; those systems may simply need to account for the availability of the new flag and be set up to provide any information that the flag requires to the Exchange. The Exchange notes that ETP Holders on the Exchange will remain free to trade, clear and settle securities in traditional form, including both DTC Eligible Securities and other securities.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act²⁴ and Rule 19b 4(f)(6)²⁵ thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁶ and Rule 19b-4(f)(6)²⁷ thereunder.

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(6).

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b 4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change,

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSENAT-2026-09 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSENAT-2026-09. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSENAT-2026-09 and should be submitted on or before June 5, 2026.

at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

²⁸ 17 CFR 200.30-3(a)(12).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09738 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105450; File No. SR-24X-2026-15]

Self-Regulatory Organizations; 24X National Exchange LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for May 1, 2026 Through December 31, 2026

May 12, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder,³ notice is hereby given that, on April 30, 2026, 24X National Exchange LLC ("24X" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to establish fees for Industry Members⁴ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan") for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC ("CAT LLC" or the "Company") and referred to as CAT Fee 2026-1, and would be described in a section of 24X Rule 4.18 entitled "Consolidated Audit Trail Funding Fees." The fee rate for CAT Fee

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

⁴ An "Industry Member" is defined as "a member of a national securities exchange or a member of a national securities association." See 24X Rule 4.5(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See 24X Rule 4.5.

2026-1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026-1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer ("CEBB") and/or CAT Executing Brokers for the Seller ("CEBS") in May 2026. As described further below, CAT Fee 2026-1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026. The proposed rule change is available on the Exchange's website at <https://equities.24exchange.com/regulation> and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

Participants.⁷ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁸

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).⁹

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”¹⁰ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed

equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹¹ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹² Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹³ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁴ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁵ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁶

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁷ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁸ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible

Securities.¹⁹ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²⁰

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

¹⁹ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²⁰ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²¹ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²² See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁹ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹⁰ Section 11.3(a) of the CAT NMS Plan.

¹¹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹³ Section 11.3(a)(ii) of the CAT NMS Plan.

¹⁴ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁵ CAT Funding Model Approval Order at 13448.

¹⁶ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁷ Section 11.1(b) of the CAT NMS Plan.

¹⁸ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

EQUITY ORDER TRADE (EOT) ²¹

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT) ²²

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF) ²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBBs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of

the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed

contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis.

²⁵ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁶ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁸ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁹ Section 11.3(a)(i)(C) of the CAT NMS Plan.

²⁴ Section 11.3(a)(i) of the CAT NMS Plan.

It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated

2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³²

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (<i>i.e.</i> , costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs:	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	³ 19,691,953
CAIS Operating Fees	^e 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

³⁰ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary

from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the

accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget, there is no double counting of expenses.

³³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

^cThis cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$.

^dThis cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

^eThis cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

^fThis cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

^gThis \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^hThis cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

ⁱThis cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$384,734) + \$384,734 + \$384,734 = \$1,025,957$.

^jThis cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$300,977) + \$321,042 + \$331,074 = \$852,768$.

^kThis cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $(\frac{2}{3} \times \$280,932) + \$280,932 + \$280,932 = \$749,151$.

^lThis \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^mThis interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: $\$517,208 + \$571,010 + \$365,164 = \$1,453,382$. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿThis amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: $\$155,403,378 - (\$41,800,153 + \$11,212,091) = \$102,391,135$. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for

2025 approved by the Operating Committee in May 2025 (“May Updated 2025 CAT Budget”),³⁶ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for

informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs:	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized

technology costs. In addition, amortization is a non-cash expense.

³⁶ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁷ The November Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf).

COMPARISON OF FULL YEAR BUDGETED COSTS—Continued

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	\$27,931,483	\$27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services

represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in

turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance

testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is

calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original

2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴¹ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT NMS Plan in connection with the operation and maintenance of the CAT;
- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that

included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁹ This calculation is $(\frac{2}{3} \times \$7,191,853) + \$7,191,853 + (\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630 = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original 2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

⁵¹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (*i.e.*, capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately \$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

⁵⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs

for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted

increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;

- Assist with communications with the industry, including CAT Alerts and presentations;

- Provide guidance regarding the confidentiality of CAT Data;

- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;

- Provide legal guidance with respect to the CAT budgets;

- Provide background assistance to other counsel for CAT matters;

- Assist with legal responses related to third-party data requests; and

- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC's defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC's intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC's approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the

Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC's May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner's fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were

⁶⁸ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

⁶⁹ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

\$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶⁶ *Davidson et al. v. Atkins et al.*, Case No. 6:24-cv-197 (W.D. Tex.).

⁶⁷ *Am. Sec. Ass'n v. SEC*, Case No. 26–10936 (11th Cir.).

2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte's fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the

third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included

⁷⁸ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁷⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;
- Review vendor invoices and documentation in support of cash disbursements;
- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;
- Provide accounting research and consultations on various accounting, financial reporting and tax matters;
- Address not-for-profit tax and accounting considerations;
- Prepare tax returns;
- Address various accounting, financial reporting and operating inquiries from Participants;
- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;
- Support compliance with the CAT NMS Plan;
- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;
- Prepare monthly, quarterly and annual financial statements;
- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;
- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;
- Support the annual financial statement audits by an independent auditor;
- Review historical costs from inception;
- Provide accounting and financial information in support of SEC filings; and
- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by

Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and

⁸¹ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁸² See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁸⁰ Section 9.2 of the CAT NMS Plan.

administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for

public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were

\$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount

due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its

projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1

⁸⁹ CAT Funding Model Approval Order at 13452.

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹¹ Section 11.3(a)(i)(D) of the CAT NMS Plan.

would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBSs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBBs and CEBSs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBSs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁹⁸ Proposed paragraph (a)(6)(A) of 24X Rule 4.18 would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of 24X Rule 4.18 would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis." In addition, paragraph (b)(1) of 24X Rule 4.18 states that each CEBB and CEBS is required to pay its CAT fees "each month."

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to 24X Rule 4.18, to include the proposed paragraphs described below.

Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate." CAT Funding Model Approval Order at 13435.

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(6)(B) of 24X Rule 4.18.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities ("CAT Executing Broker for the Buyer" or "CEBB") and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities ("CAT Executing Broker for the Seller" or "CEBS") will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBS's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to 24X Rule 4.18. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, "[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant

number of decimal places for the fee." ¹⁰⁰ Accordingly, proposed paragraph (a)(6)(B) of 24X Rule 4.18 would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of 24X Rule 4.18 would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of 24X Rule 4.18.

Proposed paragraph (a)(6)(A) of 24X Rule 4.18 also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of 24X Rule 4.18 would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of 24X Rule 4.18 would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis." Proposed paragraph (a)(6)(B) of 24X Rule 4.18 also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that "[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ('CEBB') and/or the CAT Executing Broker for the Seller ('CEBS') (as applicable) from the prior month as set forth in CAT Data. The fee for each such

¹⁰⁰ CAT Funding Model Approval Order at 13445, n.677.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁹ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of 24X Rule 4.18 would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of 24X Rule 4.18 would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of 24X Rule 4.18 describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Paragraph (b)(2) of 24X Rule 4.18 states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker's CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker's executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing

Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in other Participants' fee filings for the first

the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰⁴ Section 11.4 of the CAT NMS Plan.

¹⁰⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁸ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰² Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and

Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant's fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of 24X Rule 4.18, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the "Payment Date"). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii)

the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹⁴ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁵ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁶ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.¹¹⁷ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair

and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."¹¹⁸ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBSSs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent

¹¹⁰ See, e.g., Securities Exchange Act Rel. No. 34–99356 (Jan. 17, 2024), 89 FR 10697 (Feb. 13, 2024) (SR–MEMX–2024–01).

¹¹¹ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² CAT Funding Model Approval Order at 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78f(b)(6).

¹¹⁵ 15 U.S.C. 78f(b)(4).

¹¹⁶ 15 U.S.C. 78f(b)(8).

¹¹⁷ See 15 U.S.C. 78f(b)(1).

¹¹⁸ CAT NMS Plan Approval Order at 84697.

with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to

minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²⁴ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁵ CAT NMS Plan Approval Order at 84801.

¹¹⁹ *Id.*

¹²⁰ CAT Funding Model Approval Order at 13481.

¹²¹ *Id.*

¹²² Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable

and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee

2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the

¹³⁴ *Id.*

¹³⁵ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁶ See Section 3(a)(2)(C)(iv) above.

¹³⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Section 3(a)(2)(C)(v) above.

¹³⁹ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹²⁶ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Section 3(a)(2)(C)(ii) above.

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³³ See Section 3(a)(2)(C)(iii) above.

unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the

financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include "the sources of all revenues to cover costs." Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Section 3(a)(2)(C)(x) above.

¹⁵⁵ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

¹⁴⁰ See Section 3(a)(2)(C)(vi) above.

¹⁴¹ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ Section 3(a)(2)(C)(vii) above.

¹⁴⁵ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Section 3(a)(2)(C)(viii) above.

¹⁴⁸ *Id.*

¹⁴⁹ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵⁰ See Section 3(a)(2)(C)(ix) above.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee

rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³ As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share

volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(6)(B) of 24X Rule 4.18 would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the

¹⁵⁶ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ CAT Funding Model Approval Order at 13444.

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ See Section 3(a)(2)(C)(xii) above.

¹⁶² See Section 3(b)(2)(B) below.

¹⁶³ Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Section 3(a)(2)(C)(xii) above.

¹⁶⁵ See Section 3(a)(2)(D) above.

¹⁶⁶ *Id.*

¹⁶⁷ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁸ See Section 3(a)(5)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁷⁰ *Id.*

Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 Is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA),

Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the Exchange’s rules. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization’s Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷³ requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT

Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)¹⁷⁵ of the Act and subparagraph (f)(2) of Rule 19b–4 thereunder,¹⁷⁶ because it establishes a due, fee, or other charge imposed by the Exchange. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹⁷⁷ of the Act

¹⁷⁴ CAT Funding Model Approval Order at 13457–81.

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f)(2).

¹⁷⁷ 15 U.S.C. 78s(b)(2)(B).

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² CAT Funding Model Approval Order at 13412.

¹⁷³ 15 U.S.C. 78f(b)(8).

to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-24X-2026-15 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-24X-2026-15. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-24X-2026-15 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁸

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026-09733 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105446; File No. SR-NYSEARCA-2026-47]

Self-Regulatory Organizations; NYSE Arca, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Rule 7.37-E

May 12, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act"),² and Rule 19b-4 thereunder,³ notice is hereby given that on May 1, 2026, NYSE Arca, Inc. ("NYSE Arca" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to 7.37-E to amend Rule 7.37-E to specify the Exchange's source of data feeds from Texas Stock Exchange ("TXSE") for purposes of order handling, order execution, order routing, and regulatory compliance. The proposed rule change is available on the Exchange's website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to update and amend the use of data feeds table in

Rule 7.37-E(d), which sets forth on a market-by-market basis the specific securities information processor ("SIP") and proprietary data feeds that the Exchange utilizes for the handling, execution, and routing of orders, and for performing the regulatory compliance checks related to each of those functions. Specifically, in light of the fact that Texas Stock Exchange ("TXSE") has announced that it will launch operations in July 2026,⁴ the Exchange proposes to amend the table in Rule 7.37-E(d) to specify that the Exchange will use the SIP Data Feed as its primary source of data for order handling, order execution, order routing, and regulatory compliance.

The Exchange proposes to make this change operative on the date that TXSE launches operations.

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁵ in general, and furthers the objectives of Section 6(b)(5),⁶ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest. Additionally, the Exchange believes that the proposed rule change is consistent with the Section 6(b)(5) requirement that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes its proposal to add TXSE to the table in Rule 7.37-E(d) will ensure that the Rule correctly identifies and publicly states on a market-by-market basis all of the specific SIP and proprietary data feeds that the Exchange utilizes for the handling, execution, and routing of orders, and for performing the regulatory compliance checks for each of those functions. The proposed rule change also removes impediments to and perfects the mechanism of a free and open market and protects investors and the public interest by providing additional specificity, clarity, and transparency in the Exchange's rules.

⁴ See TXSE announcement at <https://www.txse.com/trading-membership/member-readiness-and-launch-guide>.

⁵ 15 U.S.C. 78f(b).

⁶ 15 U.S.C. 78f(b)(5).

¹ 15 U.S.C. 78s(b)(1).

² 15 U.S.C. 78a.

³ 17 CFR 240.19b-4.

¹⁷⁸ 17 CFR 200.30-3(a)(12).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, the Exchange believes that the proposal will enhance competition because providing the public and market participants with up-to-date information about the data feeds the Exchange will use for the handling, execution, and routing of orders, as well as for regulatory compliance would enhance transparency and enable investors to better assess the quality of the Exchange's execution and routing services. In addition, the proposed rule change would not impact competition between market participants because it will affect all market participants equally.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act⁷ and Rule 19b-4(f)(6) thereunder.⁸ Because the proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative prior to 30 days from the date on which it was filed, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest, the proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6)(iii) thereunder.⁹

A proposed rule change filed under Rule 19b-4(f)(6)¹⁰ normally does not become operative prior to 30 days after the date of the filing. However, pursuant

to Rule 19b4(f)(6)(iii),¹¹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest.

At any time within 60 days of the filing of such proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings under Section 19(b)(2)(B)¹² of the Act to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEARCA-2026-47 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSEARCA-2026-47. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NYSEARCA-2026-47 and

should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09729 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105444; File No. SR-MEMX-2026-10]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for May 1, 2026 Through December 31, 2026

May 12, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 27, 2026, MEMX LLC ("MEMX" or the "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposed rule change to establish fees for Industry Members³ related to reasonably budgeted CAT costs of the National Market System Plan Governing the Consolidated Audit Trail (the "CAT NMS Plan" or "Plan") for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC ("CAT LLC" or the "Company") and referred to as CAT Fee 2026-1, and would be described in a section of the

¹³ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ An "Industry Member" is defined as "a member of a national securities exchange or a member of a national securities association." See Rule 4.5(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Rule 4.5.

⁷ 15 U.S.C. 78s(b)(3)(A)(iii).

⁸ 17 CFR 240.19b-4(f)(6).

⁹ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

¹⁰ 17 CFR 240.19b-4(f)(6).

¹¹ 17 CFR 240.19b-4(f)(6)(iii).

¹² 15 U.S.C. 78s(b)(2)(B).

Exchange's fee schedule entitled "Consolidated Audit Trail Funding Fees." The fee rate for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer ("CEBB") and/or CAT Executing Brokers for the Seller ("CEBS") in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations ("SROs") to submit a national market system ("NMS") plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁴ On November 15, 2016, the Commission approved the CAT NMS Plan.⁵ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the

Participants.⁶ The Operating Committee adopted a revised funding model to fund the CAT ("CAT Funding Model"). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁷

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants ("Historical CAT Assessment" fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs ("CAT Fees").⁸

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. "The Operating Committee will establish fees ('CAT Fees') to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants ('Prospective CAT Costs')." ⁹ In establishing a CAT Fee, the Operating Committee will calculate a "Fee Rate" for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed

equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹⁰ The CAT Funding Model is designed to require that the Participants contribute to the recovery of the remaining one-third of the budgeted CAT costs.¹¹ Participants would be subject to the same Fee Rate as CEBBs and CEBSs.¹² While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹³ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁴ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁵

CAT LLC proposes to charge CEBBs and CEBSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁶ The Plan further states that "[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate." ¹⁷ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBS for each applicable transaction in Eligible Securities.¹⁸ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

¹⁰ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹¹ Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹² Section 11.3(a)(ii) of the CAT NMS Plan.

¹³ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁴ CAT Funding Model Approval Order at 13448.

¹⁵ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁶ Section 11.1(b) of the CAT NMS Plan.

¹⁷ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁸ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to

⁴ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45722 (Aug. 1, 2012).

⁵ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) ("CAT NMS Plan Approval Order").

⁶ Section 11.1(b) of the CAT NMS Plan.

⁷ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 19, 2026) ("CAT Funding Model Approval Order"). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

⁸ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

⁹ Section 11.3(a) of the CAT NMS Plan.

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed

otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the

contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.¹⁹

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange:

EQUITY ORDER TRADE (EOT)²⁰

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

OPTION TRADE (OT)²¹

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange:

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²²

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1

Period”) by the reasonably projected total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²³ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be \$0.000003799483243631228 per

executed equivalent share. This rate is then divided by three and rounded to determine the fee rate of \$0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing

Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

¹⁹ Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order at 13424.

²⁰ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), [https://www.catnmsplan.com/sites/default/files/](https://www.catnmsplan.com/sites/default/files/2026-02/02.24-2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf)

[2026-02/02.24-2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf](https://www.catnmsplan.com/sites/default/files/2026-02/02.24-2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf) (“CAT Reporting Technical Specifications for Plan Participants”).

²¹ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²² See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²³ Section 11.3(a)(i) of the CAT NMS Plan.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁴ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁵ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁶

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁷

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating

budget approved by the Operating Committee pursuant to Section 11.1(a) of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁸ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.²⁹ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³⁰ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were

prepared on the accrual basis of accounting.³¹

As described in detail below, the Budgeted CAT Costs 2026–1 would be \$15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is \$5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³²

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³³ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

³¹ CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget there is no double counting of expenses.

³² Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³³ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

²⁴ Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁵ Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁶ The Updated 2026 CAT Budget is available on the CAT website (<https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>).

²⁷ Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” CAT Funding Model Approval Order at 13413.

²⁸ Section 11.3(a)(i)(C) of the CAT NMS Plan.

²⁹ The Original 2026 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf).

³⁰ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c \$3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁴

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$18,700,000$) + \$18,700,000 + \$18,700,000 = \$49,866,667.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$7,191,853$) + \$7,191,853 + \$7,191,853 + ($\frac{2}{3} \times \$192,630$) + \$192,630 + \$192,630 = \$19,691,953.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$5,317,147$) + \$5,317,147 + \$5,317,147 = \$14,179,060.

^g This \$0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$2,145,170$) + \$2,125,170 + \$2,115,170 = \$5,670,452.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$384,734$) + \$384,734 + \$384,734 = \$1,025,957.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$300,977$) + \$321,042 + \$331,074 = \$852,768.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: ($\frac{2}{3} \times \$280,932$) + \$280,932 + \$280,932 = \$749,151.

^l This \$0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of \$517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: \$517,208 + \$571,010 + \$365,164 = \$1,453,382. Note that interest income for May and June 2026 of \$517,208 is slightly less than two-thirds of \$809,598 (which is \$539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: \$155,403,378 – (\$41,800,153 + \$11,212,091) = \$102,391,135. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of \$11,212,091 is slightly more than one-third of \$33,366,432 (which is \$11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth

in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated

2025 CAT Budget’’,³⁵ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated

relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³⁵ The May Updated 2025 CAT Budget is available on the CAT website (https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf).

³⁴ With respect to certain costs that were “appropriately excluded,” such excluded costs

2025 CAT Budget³⁶ the Original 2026 CAT Budget and the Updated 2026 CAT Budget, and is provided for informational purposes. In each case,

the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period

from May 1, 2026 through December 31, 2026, which, as noted, are the costs that are used in the calculation of the fee rate in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2026 CAT budget
Capitalized Developed Technology Costs ^a	\$4,871,962	\$5,163,991	\$8,228,827	\$8,378,964
Technology Costs	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	\$671,472	\$4,145,430	Increase by \$3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by \$4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by \$22,179.
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by \$414,451. ^d
Consulting	258,334	267,554	Increase by \$9,220.
Insurance	250,938	200,652	Decrease by \$50,286.
Professional and administration	190,916	149,061	Decrease by \$41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by \$816.
Total	27,931,483	27,344,970	Decrease by \$586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

³⁶ The November Updated 2025 CAT Budget is available on the CAT website ([https://](https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf)

[www.catnmsplan.com/sites/default/files/2025-12/](https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf)

[12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf](https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Finacial_and_Operating-Budget.pdf)).

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System or (“CAIS”).³⁷ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁸ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁹ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴⁰ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately \$49,866,667.⁴¹ The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴²

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. Securities Exchange Act Rel. No. 105107 (Mar. 27, 2026), 91 FR 16284 (Mar. 27, 2026) (“Cost Savings Amendment”).

³⁸ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, see Section 3(b)(2)(A)(i) below.

³⁹ Section 1.3 of Appendix D of the CAT NMS Plan, n.262.

⁴⁰ Section 1.3 of Appendix D of the CAT NMS Plan.

⁴¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴² This calculation is $(\frac{2}{3} \times \$18,700,000) + \$18,700,000 + \$18,700,000 = \$49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴³

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of \$17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were \$12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of \$4,370,638 as a result of lower volumes and a change in functionality.⁴⁴ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁵ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴³ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁵ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁷ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” Securities Exchange Act Rel. No. 104586 (Jan. 13, 2026), 91 FR 2164 (Jan. 16,

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁶ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁷ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁸

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁴⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁴⁸ This calculation is $((\frac{2}{3} \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((\frac{2}{3} \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁴⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁴⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵⁰ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵¹

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵²

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵³ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁴

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁶ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵⁰ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁵¹ See CAIS Amendment and Cost Savings Amendment.

⁵² See Section 9 of Appendix D of the CAT NMS Plan.

⁵³ See chart entitled "Budgeted CAT Costs 2026–1" in Section 3(a)(2)(C) above.

⁵⁴ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁵ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Section 3(a)(2)(C) above.

⁵⁶ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

\$0.⁵⁷ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁸ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(a) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁵⁹ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶⁰ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶¹ The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶²

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs

for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶³ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁴ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a

⁵⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁵⁸ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁵⁹ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁶⁰ See CAIS Amendment and Cost Savings Amendment.

⁶¹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁶² This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶³ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on, among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁵ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁶ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁷ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not

immediately actionable.⁶⁸ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁶⁹ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁰

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷¹ The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the

⁶⁸ *Citadel Securities v. SEC*, Case No. 24–12300 (11th Cir.).

⁶⁹ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁰ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁶⁵ *Davidson et al. v. Atkins et al.*, Case No. 6:24 cv 197 (W.D. Tex.).

⁶⁶ *Am. Sec. Ass’n v. SEC*, Case No. 26–10936 (11th Cir.).

⁶⁷ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷² Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT

LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷³ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁴

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as

well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁵ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁶ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁷ The

⁷⁵ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁷⁶ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷⁷ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁷³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁷⁴ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁸ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was

primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁷⁹ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;

- Review vendor invoices and documentation in support of cash disbursements;

- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;

- Provide accounting research and consultations on various accounting, financial reporting and tax matters;

- Address not-for-profit tax and accounting considerations;

- Prepare tax returns;

- Address various accounting, financial reporting and operating inquiries from Participants;

- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;

- Support compliance with the CAT NMS Plan;

- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;

- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;

- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;

- Support the annual financial statement audits by an independent auditor;

- Review historical costs from inception;

- Provide accounting and financial information in support of SEC filings; and

- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with

⁷⁸ See chart entitled "Comparison of Full Year Budgeted Costs" in Section 3(a)(2)(C) above.

⁷⁹ Section 9.2 of the CAT NMS Plan.

the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸⁰ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸¹ The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the

professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸² Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸³

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public

relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁴ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁵ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁶ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for

⁸⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸¹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

⁸² See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸³ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁴ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

⁸⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Section 3(a)(2)(C) above.

estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁷ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will

only include an amount for the reserve in the annual budget if the Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁸

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁸⁹

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model,

this filing describes the changes in reserve from the Original 2026 CAT Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹⁰ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹¹

⁸⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Section 3(a)(2)(C) above.

⁸⁸ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁸⁹ See CAT Fee Alert 2026–1 (Apr. 1, 2026).

⁹⁰ Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹¹ CAT Funding Model Approval Order at 13452.

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹²

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹³

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁴ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in

accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁵

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁶ Accordingly, the fee rate to be paid by CEBBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's or CEBB's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBB from the prior month.⁹⁷ Proposed paragraph (a)(6)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBB is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, the Exchange proposes to add a new paragraph to the “Consolidated Audit Trail Funding Fees” section of the Exchange's fee schedule, to include the proposed paragraphs described below.

(A) Fee Schedule for CAT Fee 2026–1

The CAT NMS Plan states that: Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for

the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEBS's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁸

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(6) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(6) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(C) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by

⁹² This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹³ Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁴ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” CAT Funding Model Approval Order at 13435.

⁹⁵ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁶ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁷ See proposed paragraph (a)(6)(B) of the fee schedule.

⁹⁸ Section 11.3(a)(iii)(A) of the CAT NMS Plan.

one-third and describing the relevant number of decimal places for the fee.”⁹⁹ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.¹⁰⁰ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(6)(A) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(6)(A) of the fee schedule also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(6)(B) of the fee schedule would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(6)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(6)(B) of the fee schedule also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such

transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(6)(C) of the fee schedule would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph 6(A), CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(6)(D) of the fee schedule would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of the fee schedule describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰¹ The Plan Processor has established a billing system for CAT fees.¹⁰² Accordingly,

CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰³

Paragraph (b)(2) of the fee schedule states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁴

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the

⁹⁹ CAT Funding Model Approval Order at 13445, n.677.

¹⁰⁰ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰¹ Section 11.4 of the CAT NMS Plan.

¹⁰² The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and

the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

¹⁰³ Section 11.4 of the CAT NMS Plan.

¹⁰⁴ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

calculation of their CAT Fee.¹⁰⁵ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁶ Such aggregate statistics will be available on the CAT website. Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁷ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁸ the Financial Accountability Milestone related to Period 4 was

satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹⁰⁹

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹¹⁰ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹¹ On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹² each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(6)(C) of the fee schedule, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that:

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise

indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,¹¹³ which requires, among other things, that the Exchange’s rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,¹¹⁴ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,¹¹⁵ which requires that the Exchange’s rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act.¹¹⁶ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange’s facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the

¹⁰⁵ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁶ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

¹⁰⁷ Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁸ Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024).

¹⁰⁹ See Securities Exchange Act Rel. No. 34–99356; File No. SR–MEMX–2024–01 (January 17, 2024) 89 FR 10697 (February 13, 2024) “Fee Filing for CAT Fee 2024–1”.

¹¹⁰ Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹¹ CAT Funding Model Approval Order at 13448.

¹¹² See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹³ 15 U.S.C. 78f(b)(6).

¹¹⁴ 15 U.S.C. 78f(b)(4).

¹¹⁵ 15 U.S.C. 78f(b)(8).

¹¹⁶ See 15 U.S.C. 78f(b)(1).

Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁷ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees to be paid by the CEBBs and CEBBs are reasonable, equitably allocated and not unfairly discriminatory. First, the CAT Fee 2026–1 fees to be collected are directly associated with the budgeted costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, and professional and administration costs.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission’s view that regulatory fees be used for regulatory purposes and not to support the Exchange’s business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the

CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹¹⁹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²⁰ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of

the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide: the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, the Exchange has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of these categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, the Exchange believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²¹ CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other

¹¹⁸ *Id.*

¹¹⁹ CAT Funding Model Approval Order at 13481.

¹²⁰ *Id.*

¹²¹ Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹¹⁷ CAT NMS Plan Approval Order at 84697.

things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²² Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²³ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁴ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to

reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁵

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁶ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including

compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁷ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁸ The services to be performed by FCAT for CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹²⁹

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³⁰

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³¹ CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS

¹²² For a discussion of the amount and type of cloud hosting services fees, see Section 3(a)(2)(C)(i) above.

¹²³ Section 1.3 of Appendix D of the CAT NMS Plan at n.262.

¹²⁴ CAT NMS Plan Approval Order at 84801.

¹²⁵ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁶ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁷ See Section 3(a)(2)(C)(ii) above.

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³² The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³³

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁴ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁵ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁶ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁷

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal

fees as a part of CAT Fees.¹³⁸ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹³⁹

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴⁰ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴¹ and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴² CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting

services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴³

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁴ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁵ As discussed above,¹⁴⁶ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁷

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁸ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs

¹³² See Section 3(a)(2)(C)(iii) above.

¹³³ *Id.*

¹³⁴ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁵ See Section 3(a)(2)(C)(iv) above.

¹³⁶ Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁷ See Section 3(a)(2)(C)(v) above.

¹³⁸ Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

¹³⁹ See Section 3(a)(2)(C)(vi) above.

¹⁴⁰ Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴¹ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴² CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴³ Section 3(a)(2)(C)(vii) above.

¹⁴⁴ Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁵ Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁶ See Section 3(a)(2)(C)(viii) above.

¹⁴⁷ *Id.*

¹⁴⁸ Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

related to such services are described above.¹⁴⁹

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵¹

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵² However, as described above,¹⁵³ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–

1 Period.¹⁵⁴ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁵ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁶ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁷

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁸ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁵⁹ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each

of these benefits to the CAT. The reserve is discussed further above.¹⁶⁰

As discussed further below,¹⁶¹ however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶² As discussed above,¹⁶³ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁴

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent

¹⁵⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Section 3(a)(2)(C) above.

¹⁵⁵ Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁶ CAT Funding Model Approval Order at 13444.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ *Id.*

¹⁶⁰ See Section 3(a)(2)(C)(xii) above.

¹⁶¹ See Section 3(b)(2)(B) below.

¹⁶² Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶³ See Section 3(a)(2)(C)(xii) above.

¹⁶⁴ See Section 3(a)(2)(D) above.

¹⁴⁹ See Section 3(a)(2)(C)(ix) above.

¹⁵⁰ *Id.*

¹⁵¹ *Id.*

¹⁵² Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵³ See Section 3(a)(2)(C)(x) above.

share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times

5,980,937,549,360.49 executed equivalent shares.¹⁶⁵ The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee rate.¹⁶⁶ Accordingly, proposed paragraph (a)(6)(B) of the fee schedule would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁷

(ii) Reasonable Fee Level

The Exchange believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁸ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will

mitigate any potential adverse economic effects or inefficiencies.¹⁶⁹

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷⁰ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷¹ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a reasonable fee rate for CAT Fee 2026–1 that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for CAT Fee 2026–1 is reasonable. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

The Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act¹⁷² requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the

¹⁶⁵ *Id.*

¹⁶⁶ CAT Funding Model Approval Order at 13445, n.677.

¹⁶⁷ See Section 3(a)(5)(A) above.

¹⁶⁸ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

¹⁶⁹ *Id.*

¹⁷⁰ See Section 11.3(a) of the CAT NMS Plan.

¹⁷¹ CAT Funding Model Approval Order at 13412.

¹⁷² 15 U.S.C. 78f(b)(8).

Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷³ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act¹⁷⁴ and Rule 19b–4(f)(2)¹⁷⁵ thereunder.

At any time within 60 days of the filing of the proposed rule change, the

Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–MEMX–2026–10 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–MEMX–2026–10. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–MEMX–2026–10 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁶

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026–09745 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105463; File No. SR–CboeBZX–2026–041]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend Its Fees Schedule To Adopt a New Fee Code for Market-Maker Complex Orders Executed on the Complex Order Book That Add Liquidity in Penny Program Securities and To Amend Its Orders Submitted With a Designated Give Up Program

May 12, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on May 1, 2026, Cboe BZX Exchange, Inc. (“Exchange” or “BZX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

Cboe BZX Exchange, Inc. (the “Exchange” or “BZX”) proposes to amend its Fees Schedule to adopt a new fee code for Market-Maker Complex orders executed on the complex order book that add liquidity in Penny Program Securities and to amend its Orders Submitted with a Designated Give Up program. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Commission's website (<https://www.sec.gov/rules/sro.shtml>), the Exchange's website (https://www.cboe.com/us/equities/regulation/rule_filings/bzx/), and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the

¹⁷³ CAT Funding Model Approval Order at 13457–81.

¹⁷⁴ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁷⁵ 17 CFR 240.19b–4(f)(2).

¹⁷⁶ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to modify its Fees Schedule, effective May 1, 2026.

First, the Exchange proposes to adopt a new fee code for Market-Maker Complex orders that trade on the BZX Options complex order book ("COB"). Currently the Exchange applies fee code ZF to all Non-Customer Complex orders executed on the COB that add liquidity in Penny Program Securities³ and assesses a fee of \$0.50 per contract. As proposed, the Exchange would apply fee code ZI to Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities and would charge such orders a fee of \$0.50 per contract. For the avoidance of doubt, there is no change to the fee assessed to Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities orders as result of the proposed change; the change simply results in a different fee code being applied to such orders.

As a result of the proposed change, the Exchange also proposes to amend the Complex order Non-Customer Penny Add Volume Tier set forth in Footnote 12. Under the Complex order Non-Customer Penny Add Volume Tier, currently applicable to qualifying Complex Non-Customer orders in Penny Program Securities that add liquidity yielding fee code ZF, the Exchange assesses a fee of \$0.49 per contract for all qualifying orders yielding fee code ZF where a Member has (1) an ADV in Complex Customer orders $\geq 0.15\%$ of average OCV; and (2) an ADAV in Market Maker orders $\geq 0.35\%$ of average OCV. The Exchange proposes to amend the Complex order Non-Customer Penny Add Volume Tier to apply to qualifying Complex Market-Maker orders in Penny Program Securities that add liquidity yielding proposed fee code ZI.⁴ The Complex order Non-Customer Penny Add Volume Tier currently applies to such qualifying orders; there is no practical change as a result of the proposed change.

³ "Penny Program Securities" are those issues quoted pursuant to Exchange Rule 21.5(d).

⁴ The Exchange proposes to append a reference to Footnote 12 to proposed fee code ZI within the Fee Codes and Associated Fees table.

The Exchange also proposes to amend fee code ZF, appended to all Non-Customer Complex orders executed on the COB that add liquidity in Penny Program Securities and assesses a fee of \$0.50 per contract, to apply to all Non-Customer, Non-Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities. There are no changes to the fee amount assessed to orders yielding fee code ZF as a result of the proposed change.

Finally, the Exchange proposes to amend Footnote 5, which provides that when a "Designated Give Up", as defined in Rule 21.12(b)(1), is specified on an order, applicable rebates (*i.e.*, any standard rebate or applicable tier rebates) for orders routed to and executed on the Exchange (yielding fee code NA, NF, NN, NY, PA, PC, PF, PN, and PY) are provided to the Member who routed the order to the Exchange.

By way of background, Rule 21.12 provides that, in addition to its own Clearing Member⁵ (or itself, if the firm is self-clearing), a User⁶ may identify to the Exchange a Designated Give Up, as that term is defined in the Rule. Specifically, Rule 21.12(b)(1) defines the term Designated Give Up as any Clearing Member that a User (other than a Market Maker)⁷ identifies to the Exchange, in writing, as a Clearing Member the User requests the ability to give up. As such, a Member acting as an options routing firm on behalf of one or more other Exchange Members (a "Routing Firm") is able to route orders to the Exchange and to immediately give up the party (a party other than the Routing Firm itself or the Routing Firm's own clearing firm) who will accept and clear any resulting transaction.

The Exchange proposes to amend Footnote 5⁸ to include orders yielding fee codes ZA,⁹ ZB,¹⁰ and ZF to the list of orders to which the Designated Give

⁵ A Clearing Member is defined as "Options Member that is self-clearing or an Options Member that clears BZX Options Transactions for other Members of BZX Options." See Exchange Rule 16.1. An Option Member is defined as "a firm, or organization that is registered with the Exchange pursuant to Chapter XVII of these Rules for purposes of participating in options trading on EDGX Options as an 'Options Order Entry Firm' or 'Options Market Maker.'" See Exchange Rule 16.1(a)(38).

⁶ See Exchange Rule 1.5(cc).

⁷ See Exchange Rule 1.5(l).

⁸ As part of the proposed changes, the Exchange proposes to append Footnote 5 to fee codes ZA, ZB, and ZF in the 'Fee Codes and Associated Fees' table of the Fees Schedule.

⁹ Fee code 'ZA' applies to Complex Customer contra Non-Customer orders in Penny Securities.

¹⁰ Fee code 'ZB' applies to Complex Customer contra Non-Customer orders in Non-Penny Securities.

Up rebate program applies, so that applicable rebates for orders routed to and executed on the Exchange yielding fee codes ZA, ZB, or ZF are provided to the Member who routed the order to the Exchange, similar to orders yielding fee codes NA, NF, NN, NY, PA, PC, PF, PN, and PY.¹¹

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Securities Exchange Act of 1934 (the "Act") and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹² Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹³ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁴ requirement that the rules of an exchange not be designed to permit unfair discrimination. The Exchange also believes the proposed rule change is consistent with Section 6(b)(4) of the Act,¹⁵ which requires that Exchange rules provide for the equitable allocation of reasonable dues, fees, and other charges among its Members and other persons using its facilities.

The Exchange believes the proposed changes are reasonable and equitable. As noted above, the changes to apply fee code ZI to Market-Maker Complex orders executed on the COB that add

¹¹ Fee code 'NA' applies to Professional orders that add liquidity in Non-Penny Securities; fee code 'NF' applies to Firm/Broker Dealer/Joint Back Office orders that add liquidity in Non-Penny Securities; fee code 'NN' applies to Away Market-Maker orders that add liquidity in Non-Penny Securities; fee code 'NY' applies to Customer orders that add liquidity in Penny Securities; fee code 'PA' applies to Professional orders that add liquidity in Penny Securities; fee code 'PC' applies to Customer orders that remove liquidity in Penny Securities; fee code 'PF' applies to Firm/Broker Dealer/Joint Back office orders that add liquidity in Penny Securities; fee code 'PN' applies to Away Market-Maker orders that add liquidity in Penny Securities; and fee code 'PY' applies to Customer orders that add liquidity in Penny Securities.

¹² 15 U.S.C. 78f(b).

¹³ 15 U.S.C. 78f(b)(5).

¹⁴ *Id.*

¹⁵ 15 U.S.C. 78f(b)(4).

liquidity in Penny Program Securities and assess such orders a fee of \$0.50 per contract, amend the Complex order Non-Customer Penny Add Volume Tier to also apply to qualifying Complex Market-Maker orders in Penny Program Securities that add liquidity yielding proposed fee code ZI, and amend fee code ZF to apply to all Non-Customer, Non-Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities are strictly administrative. The purpose of the proposed change is to create a new fee code for Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities, separate from other Non-Customer, Non-Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities, to which fee code ZF will continue to apply. The Exchange believes such changes are reasonable, as there are no changes to the fees assessed to applicable orders, under standard transaction fees or under the Complex order Non-Customer Penny Add Volume Tier, as a result of the proposal. The Exchange believes its proposal is equitable and not unreasonably discriminatory as it will apply equally to all Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities, in that all orders will continue to be assessed a standard transaction of fee of \$0.50 per contract and be eligible for the Complex order Non-Customer Penny Add Volume Tier. Similarly, all Non-Customer, Non-Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities and yield fee code ZF will continue to be assessed a standard transaction of fee of \$0.50 per contract and be eligible for the Complex order Non-Customer Penny Add Volume Tier.

The Exchange believes the proposed changes to the Orders Submitted with a Designated Give Up program is reasonable and equitable. Because the Routing Firm is responsible for the decision to route orders yielding fee codes ZA, ZB, and ZF to the Exchange, the Exchange believes that such Member should be provided the rebate when such orders are executed, similar to other Non-Market-Maker orders that currently fall under the program (*i.e.*, orders yielding fee codes NA, NF, NN, NY, PA, PC, PF, PN, and PY). The Exchange notes that the U.S. options markets are highly competitive, and the proposed fee structure is intended to provide an incentive for Members to direct Complex orders to the Exchange. The proposal would only apply to fee

codes ZA, ZB, and ZF, (in addition to fee codes NA, NF, NN, NY, PA, PC, PF, PN, and PY currently eligible) related to Non-Market-Maker order flow, because these reflect the primary liquidity that the Exchange is seeking to attract from Routing Firms that are able to identify Designated Give Ups.¹⁶ The Exchange believes that the proposed amendments to its fee schedule will enhance the Exchange's competitive position and will result in increased liquidity on the Exchange, to the benefit of all Exchange participants. Therefore, the Exchange believes that providing rebates is equitable and reasonable and not unfairly discriminatory as it would allow the Exchange, in the context of the its established give up procedure described above, to provide a rebate directly to the party making the routing decision to direct certain orders to the Exchange (*i.e.*, the Routing Firm), which is consistent with both the Exchange's historic practice and the purpose behind a rebate (*i.e.*, to incentivize the order being directed to the Exchange).

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange does not believe the proposed changes related to the adoption of a new fee code for Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities, separate from other Non-Customer, Non-Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities will impose any burden on intramarket or intermarket competition. As noted above, the proposed changes are strictly administrative. There are no changes to the fees assessed to applicable orders, under standard transaction fees or under the Complex order Non-Customer Penny Add Volume Tier, as a result of the proposal. Further, the changes will apply equally to all Market-Maker Complex orders executed on the COB that add liquidity in Penny Program Securities, in that all orders will continue to be assessed a standard transaction of fee of \$0.50 per contract and be eligible for the Complex order Non-Customer Penny Add Volume Tier. Similarly, all Non-Customer, Non-Market-Maker Complex orders executed on the COB that add liquidity in Penny

Program Securities and yield fee code ZF will continue to be assessed a standard transaction of fee of \$0.50 per contract and be eligible for the Complex order Non-Customer Penny Add Volume Tier.

The Exchange does not believe that the proposed changes to the Orders Submitted with a Designated Give Up program will impose any burden on intramarket competition. As noted above, because the Routing Firm is responsible for the decision to route orders yielding fee codes ZA, ZB, and ZF to the Exchange, the Exchange believes that such Member should be provided the rebate when such orders are executed, similar to other Non-Market-Maker orders that currently fall under the program. The proposed change would allow the Exchange, in the context of the its established give up procedure described above, to provide a rebate directly to the party making the routing decision to direct certain orders to the Exchange (*i.e.*, the Routing Firm), which is consistent with both the Exchange's historic practice and the purpose behind a rebate (*i.e.*, to incentivize the order being directed to the Exchange).

The Exchange also does not believe that the proposed changes to the Orders Submitted with a Designated Give Up program will impose any burden on intermarket competition. The Exchange notes that the U.S. options markets are highly competitive, and the proposed fee structure is intended to provide an incentive for Members to direct Complex orders to the Exchange. Additionally, Members may opt to disfavor the Exchange's pricing if they believe that alternatives offer them better value. The Exchange believes that its proposal to incentivize Routing Firms that are utilizing the new give up procedure to direct orders to the Exchange, and will enhance the Exchange's competitive position by resulting in increased liquidity on the Exchange, thereby providing more of an opportunity for customers to receive best executions.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)

¹⁶ The Exchange notes that Market-Makers may only give up its respective Guarantor, as defined by Rule 21.12(b)(2). See Choe BZX Options Rule 21.12(b)(5).

of the Act¹⁷ and paragraph (f) of Rule 19b-4¹⁸ thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-CboeBZX-2026-041 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-CboeBZX-2026-041. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-CboeBZX-2026-041 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁹

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09742 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-105458; File No. SR-NYSEAMER-2026-36]

Self-Regulatory Organizations; NYSE American LLC; Notice of Filing and Immediate Effectiveness of Proposed Change To Amend the Exchange's Rules To Enable the Trading of Securities on the Exchange in Tokenized Form

May 12, 2026.

Pursuant to Section 19(b)(1)¹ of the Securities Exchange Act of 1934 ("Act")² and Rule 19b-4 thereunder,³ notice is hereby given that, on May 1, 2026, NYSE American LLC ("NYSE American" or the "Exchange") filed with the Securities and Exchange Commission (the "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to adopt Rule 7.39E and amendments to Rules 1.1, 7.36E, 7.37E and 7.41E to enable the trading of securities on the Exchange in tokenized form during the pendency of a pilot program to be operated by the Depository Trust Company ("DTC") pursuant to the terms of a December 11, 2025 Securities and Exchange Commission ("Commission") Staff no-action letter. The proposed rule change is available on the Exchange's website at www.nyse.com and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of,

and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of those statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to adopt Rule 7.39E (Tokenized Securities) and amend Rule 1.1E (Definitions), Rule 7.36E (Order Ranking and Display), Rule 7.37E (Order Execution and Routing), and Rule 7.41E (Clearance and Settlement) to enable the trading of securities on the Exchange in tokenized form during the pendency of a pilot program to be operated by DTC pursuant to the terms of a December 11, 2025 Commission Staff no-action letter⁴ ("DTC Pilot Program"). As described below, the proposed rule change is based on the rules of The Nasdaq Stock Market LLC ("Nasdaq").

Background and Proposed Rule Change

The proposed rule change would establish that Exchange ETP Holders that are eligible to participate in the DTC Pilot Program ("DTC Eligible Participants")⁵ may trade tokenized versions of those equity securities and exchange traded products on the Exchange that are eligible for tokenization as part of the DTC Pilot Program ("DTC Eligible Securities"), pursuant to the terms of the No-Action Letter. Pursuant to the proposed changes, DTC Eligible Securities would be able to trade on the Exchange within the current national market system, using DTC to clear and settle trades in token form, per order handling instructions that DTC Eligible Participants may select upon entering their orders for DTC Eligible Securities on the Exchange.⁶

⁴ See No-Action Letter Request Related to The Depository Trust Company's Development of the DTCC Tokenization Services, dated December 11, 2025, available at <https://www.sec.gov/files/tm/no-action/dtc-nal121125.pdf> (the "No-Action Letter").

⁵ "DTC Eligible Participant" would be defined in proposed rule 7.37E(b)(10) as "an ETP Holder that is eligible to participate in the Depository Trust Company's ('DTC') three-year tokenization pilot program, pursuant to its terms and those of the Securities and Exchange Commission Staff no-action letter, dated December 11, 2025 (the 'No-Action Letter')."

⁶ The Exchange is assessing various methods of tokenization and trading of tokenized securities. If

Continued

¹⁷ 15 U.S.C. 78s(b)(3)(A).

¹⁸ 17 CFR 240.19b-4(f).

¹⁹ 17 CFR 200.30-3(a)(12).

¹⁵ U.S.C. 78s(b)(1).

²⁵ U.S.C. 78a.

³⁷ 17 CFR 240.19b-4.

The Exchange's rules do not currently permit the trading of tokenized securities on the Exchange and, unless the Exchange adopts the proposed rules, the Exchange would lack a clear framework for DTC Eligible Participants to designate, at order entry, that a DTC Eligible Security be cleared and settled in tokenized form pursuant to the DTC Pilot Program.⁷

The Exchange accordingly proposes to amend its rules to enable the trading of DTC Eligible Securities in tokenized form on the Exchange during the pendency of the DTC Pilot Program, subject to the same conditions and restrictions as the Nasdaq rule change approved by the Commission. The Exchange believes that the existing regulatory structure mandated by Congress applies to tokenized securities, regardless of whether such securities have certain unique properties like the ability to be settled on a blockchain, much like it did when the Commission allowed securities to be decimalized and electrified and when exchange traded funds and other novel securities were initially approved. The Exchange believes that no significant exemptions or parallel market structure constructs are needed for tokenized securities to trade alongside other securities, and that the markets can accommodate tokenization while continuing to provide the benefits and protections of the national market system.⁸

To tackle the challenge of trading tokenized equities, the Exchange offers a simple proposal that accommodates an approach to tokenization that DTC is

the Exchange plans to adopt any particular alternative to the DTC approach, then it will file rule proposals with the Commission before doing so.

⁷ Nasdaq recently amended its rules to enable the trading of securities in tokenized form during the pendency of the DTC Pilot Program. See Securities Exchange Act Release No. 105047 (March 18, 2026), 91 FR 13900 (March 23, 2026) (SR-NASDAQ-2025-072) (Order Approving Proposed Rule Change, as Modified by Amendment No. 2, to Amend the Exchange's Rules to Enable the Trading of Securities on the Exchange in Tokenized Form) ("Nasdaq Approval Order"). See also Securities Exchange Act Release No. 104693 (Jan. 27, 2026), 91 FR 4138 (Jan. 30, 2026) (SR-NASDAQ-2025-072) (Notice of Filing of a Proposed Rule Change, as Modified by Amendment No. 2, To Amend the Exchange's Rules To Enable the Trading of Securities on the Exchange in Tokenized Form) ("Nasdaq Amendment No. 2").

⁸ Section 11A of the Act states that "[t]he linking of all markets for qualified securities . . . will foster efficiency, enhance competition, increase the information available to brokers, dealers, and investors, facilitate the offsetting of investors' orders, and contribute to best execution of such orders" such that Congress directed the Commission to "use its authority under this chapter to facilitate the establishment of a national market system for securities." 15 U.S.C. 78k-1(a). Permitting the trading of tokenized securities on the Exchange will further these policy objectives.

pursuing in the DTC Pilot Program. The Exchange believes that this approach will leverage existing structures, players, and rules in a way that is beneficial to investors and in the markets' best interests.

The proposed rules provide that the term "tokenized" refers to digital representations of paper securities that utilize digital ledger or blockchain technology, as opposed to "traditional" securities, which are also digital representations of paper securities, but do not utilize blockchain technology. As long as DTC Eligible Securities are fungible with, have the same CUSIP number and trading symbol as, and afford their holders the same rights and privileges as traditional securities of an equivalent class, the Exchange will trade DTC Eligible Securities in tokenized form together with traditional securities on the same order book and according to the same execution priority rules. A tokenized DTC Eligible Security would be deemed to provide the same rights and privileges as a traditional security if, among other things, it conveys an equity interest in an underlying company, a right to receive any dividends that the company issues to its shareholders, a right to exercise any voting rights that shareholders are due, and a right to receive a share of the residual assets of the company upon liquidation. The Exchange will not treat tokenized instruments as equivalent to their traditional counterparts if they do not convey such rights or share the same CUSIP and trading symbol; instead, the Exchange will treat these instruments as distinct (e.g., derivative securities or American Depositary Receipts).⁹

As noted above, the Exchange proposes to trade DTC Eligible Securities within the confines of existing securities laws and rules. All existing Exchange rules that currently apply to non-tokenized securities will continue to apply, without modification, except as set forth below.

To effectuate these changes, the Exchange proposes to adopt Rule 7.39E and amendments to Rules 1.1E, 7.36E, 7.37E and 7.41E, as follows.

Rule 1.1E

The Exchange proposes to amend the definition of "Security" in Rule 1.1E(rr) to add a clause similar to that in Equity 1, Nasdaq Section 1 providing that the definition of security encompasses securities that are either listed on the Exchange or traded on the Exchange

pursuant to unlisted trading privileges. As amended, Rule 1.1E(rr) would provide as follows (proposed additions *italicized*):

The terms "security" and "securities" mean any security as defined in [Rule]Section 10 3(a)(10) under the Securities Exchange Act of 1934, *as amended, that is either listed on the Exchange or traded on the Exchange pursuant to unlisted trading privileges*; provided, however, that for purposes of Rule 7E, such terms mean any NMS stock.

Rule 7.39E

The Exchange proposes a new Rule 7.39E titled "Tokenized Securities."¹¹ As proposed, Rule 7.39E would provide that a security may be traded on the Exchange in either traditional form (a digital representation of ownership and rights, but without utilizing a distributed ledger technology (defined as "blockchain" technology) or, for the duration and under the terms of the DTC Pilot Program, in tokenized form (a digital representation of ownership and rights which utilizes blockchain technology). Proposed Rule 7.39E would further provide that DTC Eligible Participants may trade DTC Eligible Securities in tokenized form on the Exchange during the duration of, and pursuant to the terms of, the DTC Pilot Program.

In addition, proposed Rule 7.39E would provide that the Exchange would publish Trader Updates periodically to identify a current list of those DTC Eligible Securities that may trade in tokenized form on the Exchange. The Exchange expects that such Trader Updates would be largely for DTC Eligible Participants.

Under proposed Rule 7.39E, a share of a tokenized DTC Eligible Security will be tradable on the Exchange together with, and with the same execution priority as, its traditional counterpart, but only if the tokenized security is fungible with, shares the same CUSIP number and trading symbol, and affords its shareholders the same rights and privileges as does a share of an equivalent class of the traditional security. Except for internal rule cross-references to Exchange rules and minor grammatical differences, the proposed language is substantially the same as Nasdaq Equity 1, Section 1.

¹⁰ The proposed replacement of "Rule" with "Section" would correct a citation error in the current rule.

¹¹ Rule 7.39E, currently titled "Reserved," would have its title changed to "Tokenized Securities."

⁹ This rule proposal does not address whether and how the Exchange may choose to trade these non-fungible tokenized instruments in the future pursuant to a proposed Rule change.

Rule 7.36E

The Exchange proposes to amend Rule 7.36E, which governs order ranking and display, to add a new Commentary .01 providing that the mere fact that an order contains tokenized securities or indicates a preference of a DTC Eligible Participant to clear and settle DTC Eligible Securities in tokenized form will not affect the priority in which the Exchange executes that order. Except for internal cross-references to Exchange rules and minor grammatical differences, the language of proposed Rule 7.36E.01 is substantially the same as Equity 4, Nasdaq Rule 4757.

Rule 7.37E

The Exchange proposes to amend Rule 7.37E, which governs routing, to add a new subsection (b)(10) that would provide that when the Exchange routes orders in DTC Eligible Securities that DTC Eligible Participants have designated for clearing and settlement in tokenized form in accordance with proposed Rule 7.41E, Commentary 01 [sic], the Exchange will communicate this tokenization instruction to DTC upon receiving an execution for an order that was routed to another trading venue. Except for certain non-substantive differences,¹² the proposed language in Rule 7.37E(b)(10) is substantially the same as Equity 4, Nasdaq Rule 4758.

Rule 7.41E

The Exchange proposes to add a new Commentary .20 to Rule 7.41E, which governs clearance and settlement, describing how a DTC Eligible Participant can communicate its desire to clear and settle a DTC Eligible Security in tokenized form.

Proposed Commentary .20 to Rule 7.41E would provide that a DTC Eligible Participant (as defined in Rule 7.37E(b)(10)) that wishes for its order in a DTC Eligible Security to clear and settle in tokenized form as part of the DTC Pilot Program must notate its preference upon entry of the order in the Exchange systems by selecting a tokenization flag that the Exchange designates for this purpose, in accordance with the Exchange's procedures. When a DTC Eligible Participant enters an order for a DTC Eligible Security with the tokenization flag selected, the Exchange will communicate the DTC Eligible

Participant's tokenization preference to DTC on a post-trade basis. The flag will indicate the DTC Eligible Participant's preference as to what form the security will take (*i.e.*, token or traditional) and may also include other information or instructions that DTC may require the DTC Eligible Participant to enter, in accordance with DTC's rules, policies, and procedures, and the terms of the No-Action Letter, to effectuate the flag, such as the DTC Eligible Participant's selection of a blockchain and a digital wallet address for a tokenized DTC Eligible Security (the Exchange will issue a Trader Update prior to requiring a DTC Eligible Participant to enter any such information or instructions to the flag, other than its tokenization preference). DTC will then carry out the DTC Eligible Participant's tokenization preference, as set forth in the flag, as well as any instructions attendant thereto to the extent that the flag or instruction is executable in accordance with DTC's rules, policies, and procedures, and the terms of the No-Action Letter.

Proposed Commentary .20 to Rule 7.41E further provides that Exchange systems will not determine whether an ETP Holder is a DTC Eligible Participant or whether a security is a DTC Eligible Security at the time of order entry and selection of the tokenization flag. The Exchange also will not determine whether DTC is able to execute a tokenization order for other reasons, including because the DTC Eligible Participant wishes to mint the token to a blockchain that is not compatible with the DTC Pilot Program or to a digital wallet that is not registered with DTC.¹³ Thus, if at the time of order entry, an ETP Holder is not a DTC Eligible Participant, the security selected for tokenization is not a DTC Eligible Security, or there are other reasons why DTC cannot execute a tokenization preference or instruction, the order will be settled in traditional (non-tokenized) form, in accordance with DTC's rules, policies, and procedures. It is the sole responsibility of ETP Holders to

¹³ According to the No-Action Letter, any DTC participant would be permitted—at the DTC participant's election—to participate in the DTC pilot tokenization services, with certain exceptions for participants for which DTC has U.S. tax withholding or reporting obligations, or a Treasury International Capital reporting obligation. See No-Action Letter, *supra* note 4.

Additionally, the No-Action Letter states that DTC will not execute a tokenization instruction if a DTC Eligible Participant cannot pass DTC's risk management and compliance controls. See *id.* If a transaction would result in a participant breaching its Net Debit Cap (as defined in the No-Action Letter), then the control would not allow that transaction to process until it could do so without breaching the cap. See *id.*

determine for themselves whether they are DTC Eligible Participants, whether the securities subject to an order are DTC Eligible Securities, whether the blockchains and wallets to which they wish to mint tokens are compatible with the DTC Pilot Program, and whether the tokenization instruction is otherwise consistent with the terms of that program and the No-Action Letter.¹⁴

Again, except for certain non-substantive differences,¹⁵ proposed Rule 7.41E.20 is substantially the same as Equity 4, Nasdaq Rule 4756.

General Considerations

Other than as described above, from an Exchange system and matching engine perspective, the Exchange's trading procedures and behavior will be the same regardless of whether a DTC Eligible Participant opts to trade tokenized or traditional shares of a DTC Eligible Security.¹⁶ Among other things, the following aspects of the Exchange's current trading system and procedures will not change when trading tokenized securities:

- All Exchange order types and modifiers will be available for use with tokenized securities;
- All Exchange routing strategies will be available for orders in tokenized securities;
- Orders in tokenized securities may participate in all of the Exchange's trading sessions, including Core Open Auctions and Closing Auctions (as defined in Rule 7.35E), subject to generally applicable eligibility criteria;
- ETP Holders may utilize their existing connectivity to enter orders in tokenized securities;
- The Exchange's fee schedule will not vary based upon whether shares that ETP Holders execute are tokenized or traditional in nature;
- Market data feeds will not differentiate between tokenized and traditional securities;
- The Exchange will comply with any Commission requirements to report tokenization data to the Consolidated Audit Trail;
- Market surveillance of tokenized and traditional securities will rely upon the same underlying data, which will

¹⁴ If the Exchange develops the functionality that would allow it to check for eligibility at order entry, it will submit a rule proposal to effectuate that functionality at the appropriate time.

¹⁵ The non-substantive differences include references to ETP Holders, internal cross-references to Exchange rules, minor grammatical differences, and the movement of the definition of DTC Eligible Participant to proposed Rule 7.37E(b)(10).

¹⁶ The Exchange's pricing structure and rates will not vary depending upon whether a transaction involves a share of a tokenized security. See also *supra* note 6.

¹² The non-substantive differences include internal cross-references to Exchange rules, minor grammatical differences, and the addition of defined terms, including the definition of "DTC Eligible Participant," which the Exchange proposes to define in Rule 7.37E(b)(10) and Nasdaq has defined in Equity 4, Nasdaq Rule 4756.

continue to be accessible by the Exchange and the Financial Industry Regulatory Authority (“FINRA”);

- Trades in tokenized securities handled by DTC will continue to settle on a T+1 basis;

- The Exchange’s clearly erroneous and risk management measures will cover tokenized securities; and

- Trading of tokenized securities under this proposal is not expected to alter the existing proxy distribution process.¹⁷

This proposal to offer trading in tokenized securities will become effective once the requisite infrastructure and post-trade settlement services have been established by DTC. The Exchange understands that DTC is working to develop the necessary infrastructure, services, and procedures to facilitate such tokenization and the related post-trade settlement infrastructure and services.¹⁸ On December 11, 2025, the No-Action Letter was issued, which enables DTC to begin providing services that support the Exchange’s proposal as soon as this development is complete.

Securities that are DTC Eligible Securities—meaning that they are eligible for tokenization and de-tokenization as part of the DTC tokenization pilot program—will be limited to the following, for purposes of this proposal: (i) securities in the Russell 1000 Index at the time the service launches as well as any additions to the index thereafter and notwithstanding the subsequent removal of any securities from the index; and (ii) exchange traded funds that track major indices. These categories of DTC Eligible Securities will be the only tokenized equities that are available to trade on the Exchange under this proposal.

The Exchange will alert its ETP Holders in a Trader Update at least 30 calendar days before the Exchange begins trading DTC Eligible Securities in tokenized form on its market.

DTC states that it will provide tokenization services on a pilot basis, as described above, for a period of three years after launch, after which time DTC

will sunset the service.¹⁹ Thus, the Exchange will revisit this rule proposal when it knows what, if anything, will replace the service after it sunsets.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act,²⁰ in general, and furthers the objectives of Section 6(b)(5) of the Act,²¹ in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest by strengthening the Exchange’s ability to oversee and police its marketplace.

The Exchange believes that the proposed rule change is consistent with the Act because it would enable the trading of tokenized securities within the existing framework of the national market system, without requiring wholesale exemptions from investor protections. The proposed amendments are narrowly tailored to accommodate the DTC Pilot Program while preserving the integrity, efficiency, and investor protections of the Exchange’s existing trading rules. The Exchange believes that all existing Commission and Exchange rules that currently apply to non-tokenized securities will continue to apply, without modification, to the trading of tokenized securities, except as expressly provided herein. The Exchange also believes that the proposed rule change is not designed to permit unfair discrimination between customers, brokers and dealers, consistent with Section 6(b)(5) of the Act.²² The proposal is not designed to permit unfair discrimination between brokers and dealers because the proposed changes will apply equally to all similarly situated ETP Holders seeking to trade tokenized securities on the Exchange.

The Exchange further believes the proposed rule change furthers the objectives of Section 6(b)(5) of the Act in that it is designed to prevent fraudulent and manipulative acts and practices. The proposed rule change ensures that tokenized securities may

only be traded on the Exchange if they are fungible with, share the same CUSIP number and trading symbol as, and afford their holders the same rights and privileges as, traditional securities of an equivalent class. By tethering tokenized securities to their traditional counterparts in this manner, the proposal eliminates the potential for price dislocation, manipulation, and investor confusion that could arise from the trading of tokenized instruments outside the national market system. In addition, all Exchange rules, including rules governing clearly erroneous transactions, short sales, risk management, and market surveillance will apply equally to tokenized and traditional securities. Market surveillance of tokenized and traditional securities will rely upon the same underlying data, which will continue to be accessible by the Exchange and FINRA. Trades in tokenized securities handled by DTC will continue to settle on a T+1 basis. The Exchange’s clearly erroneous and risk management measures will cover tokenized securities.

The Exchange also believes the proposed rule change furthers the objectives of Section 6(b)(5) of the Act in that it is designed to promote just and equitable principles of trade and to remove impediments to and perfect the mechanism of a free and open market and a national market system. The Commission has previously approved rules of another national securities exchange—Nasdaq—enabling the trading of tokenized securities. The Exchange’s proposal to adopt comparable rules to allow DTC Eligible Participants to trade DTC Eligible Securities in tokenized form on the Exchange, subject to the same conditions and restrictions as approved for Nasdaq, promotes a fair, consistent, and interoperable national market system framework for tokenized securities trading. ETP Holders will be able to access tokenized securities trading across multiple exchanges on equivalent terms, promoting competition and efficient price discovery. The Exchange will comply with any Commission requirements to report tokenization data to the Consolidated Audit Trail, further supporting the integrity and transparency of the national market system.

In addition, the Exchange believes that the proposed rule change is not designed to permit unfair discrimination between customers, brokers and dealers, consistent with

¹⁷ According to DTC, a DTC Eligible Participant may need to issue a de-tokenization instruction or DTC may need to force conversion of the Tokenized Entitlement into a Book-Entry Entitlement in order to receive a distribution or replacement security or to issue instructions in relation to the corporate action. In such situations, DTC would, to the extent feasible, provide the relevant participants with advance notice of the need to provide such instruction or DTC’s need to take such action. See note 4, *supra*. “Tokenized Entitlement” and “Book-Entry Entitlement” are used as defined in the No-Action Letter. See *id.* at 2–3.

¹⁸ See *id.*

¹⁹ See DTCC, No-Action Letter and DTC Tokenization Service FAQ, at 1, available at <https://www.dtcc.com/-/media/Files/Downloads/digital-assets/dtc-tokenization-service-faq.pdf>.

²⁰ 15 U.S.C. 78f(b).

²¹ 15 U.S.C. 78f(b)(5).

²² 15 U.S.C. 78f(b)(5).

Section 6(b)(5) of the Act²³ because the proposed changes will apply equally to all similarly situated ETP Holders seeking to trade tokenized securities on the Exchange. All DTC Eligible Participants will be subject to the same conditions for tokenized trading, including the requirement to select a tokenization flag at order entry, and all DTC Eligible Securities will be subject to the same fungibility, CUSIP, and rights requirements. The Exchange will not impose conditions on tokenized trading that favor any particular ETP Holders or class of securities over any other.

Finally, the Exchange believes the proposed rule change is designed to foster cooperation and coordination with persons engaged in facilitating transactions in securities, consistent with Section 6(b)(5) of the Act. The Exchange's proposal is expressly designed to work in coordination with the DTC Pilot Program, pursuant to the No-Action Letter. The proposed rules establish a clear and workable framework for the Exchange, DTC, and Exchange ETP Holders to cooperate in enabling the clearing and settlement of tokenized securities through the existing post-trade infrastructure. This cooperative approach, leveraging DTC's established role as the nation's central securities depository, ensures that tokenized securities trading occurs within a safe, regulated, and transparent framework that protects investors and promotes the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change would enable the trading of tokenized securities on the Exchange in a manner that is consistent with the approved rules of another national securities exchange for the same purpose. Facilitating access to tokenized securities across multiple exchanges promotes competition and is in the interest of investors and the investing public. The proposed rule change does not impose any barriers to entry for ETP Holders and does not create any competitive disadvantages between and among market participants. The Exchange believes the proposed rule changes, taken together, will strengthen the Exchange's ability to carry out its role and responsibilities as a self-regulatory organization in connection with the trading of

tokenized securities. As such, the Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Exchange believes that its proposal will be particularly attractive because it will provide for the trading of tokenized DTC Eligible Securities in a manner that is familiar to market participants and investors and which is consistent with existing laws and rules. Under this proposal, the extent to which ETP Holders will need to modify their back-end systems and practices to accommodate tokenized securities trading should be minimal; those systems may simply need to account for the availability of the new flag and be set up to provide any information that the flag requires to the Exchange. The Exchange notes that ETP Holders on the Exchange will remain free to trade, clear and settle securities in traditional form, including both DTC Eligible Securities and other securities.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The Exchange has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act²⁴ and Rule 19b-4(f)(6)²⁵ thereunder. Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²⁶ and Rule 19b-4(f)(6)²⁷ thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if

it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NYSEAMER-2026-36 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NYSEAMER-2026-36. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-NYSEAMER-2026-36 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁸

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09739 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

²³ 15 U.S.C. 78f(b)(5).

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(6).

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires the Exchange to give the Commission written notice of the Exchange's intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

²⁸ 17 CFR 200.30-3(a)(12).

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105449; File No. SR–FINRA–2026–010]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend FINRA Rule 6897 (Consolidated Audit Trail Funding Fees) To Establish Fees for Industry Members Related to Reasonably Budgeted CAT Costs of the National Market System Plan Governing the Consolidated Audit Trail for May 1, 2026 Through December 31, 2026

May 12, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 28, 2026, the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b–4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rule 6897 (Consolidated Audit Trail Funding Fees) to establish fees for Industry Members⁵ related to reasonably budgeted Consolidated Audit Trail (“CAT”) costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) for the period from May 1, 2026 through December 31, 2026. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or the “Company”) and referred to

as “CAT Fee 2026–1.” The fee rate for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for CAT Fee 2026–1 in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026. As described further below, CAT Fee 2026–1 is anticipated to be in place for eight months, and is anticipated to recover approximately two-thirds of the costs set forth in the reasonably budgeted CAT costs for 2026.

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org> and at the principal office of FINRA.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁶ On November 15, 2016, the Commission approved the CAT NMS Plan.⁷ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the

Participants.⁸ The Operating Committee adopted a revised funding model to fund the CAT (“CAT Funding Model”). On March 16, 2026, the Commission approved the CAT Funding Model after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“CAT Fees”).¹⁰

Under the CAT Funding Model, Participants, CEBBs and CEBSs are subject to fees designed to cover the ongoing budgeted costs of the CAT, as determined by the Operating Committee. “The Operating Committee will establish fees (‘CAT Fees’) to be payable by Participants and Industry Members with regard to CAT costs not previously paid by the Participants (‘Prospective CAT Costs’).”¹¹ In establishing a CAT Fee, the Operating Committee will calculate a “Fee Rate” for the relevant period. Then, for each month in which a CAT Fee is in effect, each CEBB and CEBS would be required to pay the fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the fee for each transaction will be calculated by multiplying the number of executed

⁸ See Section 11.1(b) of the CAT NMS Plan.

⁹ See Securities Exchange Act Release No. 105003 (March 16, 2026), 91 FR 13410 (March 19, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. See Securities Exchange Act Release No. 98290 (September 6, 2023), 88 FR 62628 (September 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish CAT Fees related to CAT costs going forward. See Section 11.3(a) of the CAT NMS Plan. This filing only establishes CAT Fee 2026–1 related to reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 as described herein; it does not address any other potential CAT Fees related to CAT costs. Any such other CAT Fee will be subject to a separate fee filing. In addition, under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. See Section 11.3(b) of the CAT NMS Plan. This filing does not address any Historical CAT Assessments.

¹¹ See Section 11.3(a) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b–4(f)(2).

⁵ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See FINRA Rule 6810(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See FINRA Rule 6800 Series (Consolidated Audit Trail Compliance Rule).

⁶ See Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

⁷ See Securities Exchange Act Release No. 79318 (November 15, 2016), 81 FR 84696 (November 23, 2016) (“CAT NMS Plan Approval Order”).

equivalent shares in the transaction by one-third and by the Fee Rate.

The CAT Fees to be paid by CEBBs and CEBSSs are designed to contribute toward the recovery of two-thirds of the budgeted CAT costs for the relevant period.¹² The CAT Funding Model allocates the remaining one-third of the budgeted CAT costs to the Participants.¹³ Participants would be subject to the same Fee Rate as CEBBs and CEBSSs.¹⁴ While CAT Fees charged to Industry Members become effective in accordance with the requirements of Section 19(b) of the Exchange Act,¹⁵ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹⁶ Accordingly, this filing does not address Participant CAT fees as they are described in the CAT NMS Plan.¹⁷

CAT LLC proposes to charge CEBBs and CEBSSs (as described in more detail below) CAT Fee 2026–1 to recover the reasonably budgeted CAT costs for the period from May 1, 2026 through December 31, 2026 in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT

NMS Plan requires the Participants to “file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as ‘Consolidated Audit Trail Funding Fees.’”¹⁸ The Plan further states that “[o]nce the Operating Committee has approved such Fee Rate, the Participants shall be required to file with the SEC pursuant to Section 19(b) of the Exchange Act CAT Fees to be charged to Industry Members calculated using such Fee Rate.”¹⁹ Accordingly, the purpose of this filing is to implement a CAT Fee on behalf of CAT LLC for Industry Members, referred to as CAT Fee 2026–1, in accordance with the CAT NMS Plan.

(1) CAT Executing Brokers

CAT Fee 2026–1 will be charged to each CEBB and CEBSS for each applicable transaction in Eligible Securities.²⁰ The CAT NMS Plan defines a “CAT Executing Broker” to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the

transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²¹

Fields Nos. 26 and 28 of the Participant Technical Specifications, listed below, indicate the CAT Executing Brokers for transactions executed otherwise than on an exchange:²²

TRF/ORF/ADF TRANSACTION DATA EVENT²³

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate 2026–1

The Operating Committee determined the Fee Rate to be used in calculating CAT Fee 2026–1 (“Fee Rate 2026–1”) by dividing the reasonably budgeted CAT costs (“Budgeted CAT Costs 2026–1”) for the period from May 1, 2026 through December 31, 2026 (“CAT Fee 2026–1 Period”) by the reasonably projected

total executed share volume of all transactions in Eligible Securities for the eight-month recovery period, as discussed in detail below.²⁴ Based on this calculation, the Operating Committee has determined that Fee Rate 2026–1 would be 0.000003799483243631228 per executed equivalent share. This rate is then

divided by three and rounded to determine the fee rate of 0.000001 per executed equivalent share that will be assessed to CEBBs and CEBSSs, as also discussed in detail below.

(A) CAT Fee 2026–1 Period

CAT LLC proposes to implement CAT Fee 2026–1. CAT LLC proposes to

¹² See Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹³ See Section 11.3(a)(ii)(A) of the CAT NMS Plan.

¹⁴ See Section 11.3(a)(ii) of the CAT NMS Plan.

¹⁵ See Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹⁶ See CAT Funding Model Approval Order, 91 FR 13410, 13448.

¹⁷ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹⁸ See Section 11.1(b) of the CAT NMS Plan.

¹⁹ See Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

²⁰ In its approval of the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion, the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent

shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA’s equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. See CAT Funding Model Approval Order, 91 FR 13410, 13413.

²¹ See Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission “recognize[d] that Industry Members may pass-through CAT fees for customer executed volume.” See CAT Funding Model Approval Order, 91 FR 13410, 13424.

²² Supplementary Material .01 to Rule 6897 provides clarity as to the manner in which the CAT Executing Brokers for transactions executed otherwise than on an exchange would be determined. Specifically, for a transaction in an

Eligible Security executed otherwise than on an exchange and required to be reported to a FINRA Trade Reporting Facility (“TRF”), the FINRA OTC Reporting Facility (“ORF”), or the FINRA Alternative Display Facility (“ADF”), the CEBB and CEBSS are the members identified as the executing broker and the contra-side executing broker in the TRF/ORF/ADF transaction data event in CAT Data. In those circumstances where there is a non-member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as, and be required to pay the fee assessed to, both the CEBB and CEBSS.

²³ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁴ See Section 11.3(a)(i) of the CAT NMS Plan.

commence CAT Fee 2026–1 during the year, rather than at the beginning of the year. Accordingly, CAT Fee 2026–1 “would be calculated as described in paragraph (II)” of Section 11.3(a)(i)(A) of the CAT NMS Plan,²⁵ which states that “[d]uring each year, the Operating Committee will calculate a new Fee Rate by dividing the reasonably budgeted CAT costs for the remainder of the year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the remainder of the year.”²⁶ For CAT Fee 2026–1, the reasonably budgeted CAT costs for “the remainder of the year” are the reasonably budgeted CAT costs from May 1, 2026 through December 31, 2026 as set forth in the updated annual budget for 2026 for CAT LLC approved by the Operating Committee on March 31, 2026 (“Updated 2026 CAT Budget”).²⁷

(B) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating CAT Fees, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities will be counted as 0.01 executed equivalent share.²⁸

(C) Budgeted CAT Costs 2026–1

The CAT NMS Plan states that “[t]he budgeted CAT costs for the year shall be comprised of all reasonable fees, costs and expenses reasonably budgeted to be incurred by or for the Company in connection with the development, implementation and operation of the CAT as set forth in the annual operating budget approved by the Operating Committee pursuant to Section 11.1(a)

of the CAT NMS Plan, or as adjusted during the year by the Operating Committee.”²⁹ Section 11.1(a) of the CAT NMS Plan describes the requirement for the Operating Committee to approve an operating budget for CAT LLC on an annual basis. It requires the budget to “include the projected costs of the Company, including the costs of developing and operating the CAT for the upcoming year, and the sources of all revenues to cover such costs, as well as the funding of any reserve that the Operating Committee reasonably deems appropriate for the prudent operation of the Company.” Section 11.1(a)(i) of the CAT NMS Plan further states that:

[w]ithout limiting the foregoing, the reasonably budgeted CAT costs shall include technology (including cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs), legal, consulting, insurance, professional and administration, and public relations costs, a reserve and such other cost categories as reasonably determined by the Operating Committee to be included in the budget.

In accordance with the requirements under the CAT NMS Plan, the Operating Committee approved an annual budget for 2026 for CAT LLC (“Original 2026 CAT Budget”) on December 11, 2025.³⁰ On March 31, 2026, the Operating Committee approved an updated budget for 2026, referred to as the Updated 2026 CAT Budget. The Updated 2026 CAT Budget includes actual costs for each category for January and February 2026, with updated estimated costs for the remainder of the year. The updated costs for May through December as included in the Updated 2026 CAT Budget (*i.e.*, Budgeted CAT Costs 2026–1) are the costs used in calculating CAT Fee 2026–1.³¹ The 2026 CAT budgets, both the Original 2026 CAT Budget and the Updated 2026 CAT Budget, were prepared on the accrual basis of accounting.³²

²⁹ See Section 11.3(a)(i)(C) of the CAT NMS Plan.

³⁰ See Consolidated Audit Trail, LLC 2026 Financial and Operating Budget Version 12.8.25, https://www.catnmsplan.com/sites/default/files/2025-12/12.08.25-CAT-LLC-2026-Financial_and_Operating_Budget.pdf.

³¹ The version of the Updated 2026 CAT Budget set forth on the CAT website is presented on a quarterly basis, but is prepared based on more granular detail. The costs for May and June are estimated based on two-thirds of costs for Q2 where the budgeted monthly amounts are consistent. For those cases in which the costs for a category vary from month to month in Q2, the specific budgeted amounts for May and June are noted.

³² CAT budgets for periods prior to 2025 were prepared on the cash basis of accounting, as such budgets were primarily used to determine the dollar amount of promissory notes from the Participants that were required to fund the ongoing operations of the CAT. Commencing in 2025, with the

As described in detail below, the Budgeted CAT Costs 2026–1 would be 15,149,648. CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is 5,049,882.67), and CEBBs collectively will be responsible for one-third of the Budgeted CAT Costs 2026–1 (which is 5,049,882.67).

The following describes in detail the Budgeted CAT Costs 2026–1 for CAT Fee 2026–1. The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing the following:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.³³

Each of the costs described below is reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT.

The following table breaks down the Budgeted CAT Costs 2026–1 into the categories set forth in Section 11.3(a)(iii)(B) of the CAT NMS Plan.³⁴ The Budgeted CAT Costs 2026–1 reflect the costs for May through December as included in the Updated 2026 CAT Budget. The Budgeted CAT Costs 2026–1 are the costs used in calculating CAT Fee 2026–1.

contemplated recovery of costs from Industry Members and the Participants via CAT Fees, the Original 2025 CAT Budget was prepared on the accrual basis of accounting to properly match projected revenues with estimated expenses incurred. A cash basis budget reflects expenditures when paid, while an accrual basis budget reflects expenditures when incurred. In moving from a cash basis budget to an accrual basis budget there is no double counting of expenses.

³³ See Section 11.3(a)(iii)(B) of the CAT NMS Plan.

³⁴ Note that costs and related cost calculations provided in this filing may reflect minor variations from the budgeted costs due to rounding.

³⁵ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

²⁵ See Section 11.3(a)(i)(A)(IV) of the CAT NMS Plan.

²⁶ See Section 11.3(a)(i)(A)(II) of the CAT NMS Plan.

²⁷ See Consolidated Audit Trail, LLC 2026 Financial and Operating Budget (Updated 2026 CAT Budget), <https://www.catnmsplan.com/sites/default/files/2026-04/03.31.26-CAT-2026-Budget.pdf>.

²⁸ See Section 11.3(a)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “the use of executed equivalent share volume provides an appropriate basis for the calculation of CAT fees.” See CAT Funding Model Approval Order, 91 FR 13410, 13413.

BUDGETED CAT COSTS 2026–1

Budget category	Budgeted CAT costs 2026–1 ^b (i.e., costs for May–December 2026)
Capitalized Developed Technology Costs ^a	^c 3,450,000
Technology Costs	83,737,680
Cloud Hosting Services	^d 49,866,667
Operating Fees	^e 19,691,953
CAIS Operating Fees	^f 14,179,060
Change Request Fees	^g 0
Legal	^h 5,670,452
Consulting	ⁱ 1,025,957
Insurance	^j 852,768
Professional and administration	^k 749,151
Public relations	^l 0
Interest Income	^m (1,453,382)
Total Costs	94,032,626
Reserve (25% of Total Costs)	23,508,157
Total Costs and Reserve	117,540,783
Use of Existing Reserve	ⁿ (102,391,135)
Total Budgeted CAT Costs 2026–1	15,149,648

^a The non-cash amortization of these capitalized developed technology costs to be incurred during the CAT Fee 2026–1 Period have been appropriately excluded from the above table.³⁵

^b Budgeted CAT Costs 2026–1 described in this table of costs were determined based on an analysis of a variety of factors, including historical costs/invoices, estimated costs from respective vendors/service providers, contractual terms with vendors/service providers, anticipated service levels and needs, and discussions with vendors and Participants.

^c This cost number for capitalized developed technology costs reflects (1) capitalized developed technology costs of 3,450,000 for May, 0 for June and 0 for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget; and (2) 0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (3,450,000 + 0 + 0 + 0) + (0 + 0 + 0) = 3,450,000.

^d This cost number for cloud hosting services reflects two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × 18,700,000) + 18,700,000 + 18,700,000 = 49,866,667.

^e This cost number for operating fees reflects (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 as included in the Updated 2026 CAT Budget: ((2/3 × 7,191,853) + 7,191,853 + 7,191,853) + ((2/3 × 192,630) + 192,630 + 192,630) = 19,691,953.

^f This cost number for CAIS operating fees reflects two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × 5,317,147) + 5,317,147 + 5,317,147 = 14,179,060.

^g This 0 cost number for change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^h This cost number for legal services reflects two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × 2,145,170) + 2,125,170 + 2,115,170 = 5,670,452.

ⁱ This cost number for consulting services reflects two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × 384,734) + 384,734 + 384,734 = 1,025,957.

^j This cost number for insurance reflects two-thirds of the insurance costs for the second quarter and the insurance costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × 300,977) + 321,042 + 331,074 = 852,768.

^k This cost number for professional and administration services reflects two-thirds of the professional and administration costs for the second quarter and the professional and administration costs for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: (2/3 × 280,932) + 280,932 + 280,932 = 749,151.

^l This 0 cost number of change requests reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

^m This interest income reflects interest income (net of bank fees) of 517,208 for May and June and interest income (net of bank fees) for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget: 517,208 + 571,010 + 365,164 = 1,453,382. Note that interest income for May and June 2026 of 517,208 is slightly less than two-thirds of 809,598 (which is 539,732) for the second quarter as the amount of interest income varies from month to month.

ⁿ This amount for the use of the existing reserve is calculated by subtracting from the Accrued Liquidity Reserve Balance as of the Beginning of the Year in the Updated 2026 CAT Budget the 25% Incremental Liquidity Reserve Accrued during 2026 for the first quarter and for April of 2026 as included in the Updated 2026 CAT Budget: 155,403,378 – (41,800,153 + 11,212,091) = 102,391,135. Note that the 25% Incremental Liquidity Reserved Accrued during 2026 for April 2026 of 11,212,091 is slightly more than one-third of 33,366,432 (which is 11,122,144) for the second quarter as the amount of the 25% Incremental Liquidity Reserved Accrued during 2026 varies from month to month.

To the extent that CAT LLC enters into notes with Participants or others to pay costs incurred during the period in which CAT Fee 2026–1 is in effect, CAT LLC will use the proceeds from CAT Fee 2026–1 and the related Participant CAT fees to repay such notes.

The following table compares the annual budgeted CAT costs as set forth in the updated annual CAT budget for 2025 approved by the Operating Committee in May 2025 (“May Updated

2025 CAT Budget”),³⁶ the updated annual CAT budget for 2025 approved by the Operating Committee in November 2025 (“November Updated 2025 CAT Budget”),³⁷ the Original 2026

³⁶ See Consolidated Audit Trail, LLC 2025 Financial and Operating Budget—May Updated 2025 CAT Budget, https://www.catnmsplan.com/sites/default/files/2025-05/05.19.25-CAT-LLC-2025-Financial_and_Operating-Budget.pdf.

³⁷ See Consolidated Audit Trail, LLC 2025 Financial and Operating Budget—November

CAT Budget and the Updated 2026 CAT Budget, and is provided for informational purposes. In each case, the costs provided reflect the costs for the entire year for each of the budgets; this differs from the above chart which focuses on budgeted costs for the period from May 1, 2026 through December 31,

Updated 2025 CAT Budget, https://www.catnmsplan.com/sites/default/files/2025-12/12.22.25_CAT-LLC-2025-Financial_and_Operating-Budget.pdf.

2026, which, as noted, are the costs that are used in the calculation of the fee rate
are used in the calculation of the fee rate in this fee filing.
in this fee filing.

COMPARISON OF FULL YEAR BUDGETED COSTS

Budget category	Full year of 2025 budgeted CAT costs from updated 2025 CAT budget (May 2025)	Full year of 2025 budgeted CAT costs from updated 2025 budget (Nov. 2025)	Full year of 2026 budgeted CAT costs from original 2026 CAT budget	Full year of 2026 budgeted CAT costs from updated 2025 CAT budget
Capitalized Developed Technology Costs ^a	4,871,962	5,163,991	8,228,827	8,378,964
Technology Costs:	211,548,472	173,091,660	137,514,003	128,643,476
Cloud Hosting Services	159,230,937	122,084,811	81,900,006	77,529,362
Operating Fees ^b	30,817,686	29,932,001	34,345,413	29,845,524
CAIS Operating Fees	20,749,848	20,749,848	21,268,584	21,268,590
Change Request Fees	750,000	325,000	0	0
Legal	7,370,002	7,312,547	8,485,000	8,939,184
Consulting	1,749,998	1,750,000	1,550,000	1,550,000
Insurance	1,594,452	1,368,750	1,505,625	1,254,070
Professional and administration	1,193,090	1,392,679	1,145,500	1,085,500
Public relations	6,575	6,575	0	0
Interest Income	0	(2,510,223)	(1,995,958)	(2,806,325)
Total Annual CAT Costs ^c	228,334,551	187,575,979	156,432,998	147,044,869

^a This cost number is calculated by adding together the Capitalized Developed Technology Costs and the Software License Fee for each budget.

^b This cost number is calculated by adding together the Operating fees, the Cyber Insurance Premium Adjustment (if any) and market data vendor fees (if any separate fees) for each budget.

^c This total cost number does not include an amount for a reserve.

In addition, the following table compares the budgeted costs for January and February 2026 that were used in drafting the Original 2026 CAT Budget with the actual costs for January and February 2026 that were used in

drafting the Updated 2026 CAT Budget. The Original 2026 CAT Budget includes budgeted costs for January and February 2026, whereas the Updated 2026 CAT Budget includes actual costs for January and February 2026. The variance from

the budgeted costs for January and February 2026 to the actual costs for January and February 2026 are used in this filing in supporting the reasonableness of the estimates for each category of costs.

COMPARISON OF BUDGETED AND ACTUAL COSTS FOR JANUARY & FEBRUARY 2026

Budget category	Budgeted costs for January & February 2026 (as used in drafting the original 2026 CAT budget)	Actual costs for January & February 2026 (as used in drafting the updated 2026 CAT budget)	Variance from budgeted costs for January & February 2026 to actual costs for January & February of 2026
Capitalized Developed Technology Costs ^a	671,472	4,145,430	Increase by 3,473,958. ^b
Technology Costs	25,894,000	21,501,183	
Cloud Hosting Services	17,200,000	12,829,362	Decrease by 4,370,638. ^c
Operating Fees	5,149,236	5,127,057	Decrease by 22,179
CAIS Operating Fees	3,544,764	3,544,764	No change.
Change Request Fees	0	0	No change.
Legal	1,424,166	1,838,617	Increase by 414,451. ^d
Consulting	258,334	267,554	Increase by 9,220.
Insurance	250,938	200,652	Decrease by 50,286.
Professional and administration	190,916	149,061	Decrease by 41,855.
Public relations	0	0	No change.
Interest Income	(758,343)	(757,527)	Decrease by 816.
Total	27,931,483	27,344,970	Decrease by 586,513.

^a This cost number for capitalized developed technology costs is calculated by adding together the capitalized developed technology costs and the software license fee for each budget.

^b The variance for capitalized developed technology costs is the result of costs related to the software license fee in accordance with the Plan Processor Agreement with FCAT.

^c This variance is attributable to lower than forecasted market volumes and the impact of lower processing costs due to shutting down certain functionalities.

^d The variance in legal costs is attributable to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created.

(i) Technology Costs—Cloud Hosting Services

(a) Description of Cloud Hosting Services Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the cloud hosting services costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included 49,866,667 in technology costs for cloud hosting services for the CAT Fee 2026–1 Period. The technology costs for cloud hosting services represent costs reasonably budgeted to be incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”) during the CAT Fee 2026–1 Period.

In the agreement between CAT LLC and the Plan Processor for the CAT (“Plan Processor Agreement”), FINRA CAT, LLC (“FCAT”), AWS was named as the subcontractor to provide cloud hosting services. Under the Plan Processor Agreement, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments. FCAT utilizes such cloud hosting services for a broad array of services for the CAT, such as data ingestion, data management, and analytic tools for the CAT. AWS performs cloud hosting services for both the CAT transaction database as well as the Reference Database (previously referred to as the Customer and Account Information System, or “CAIS”).³⁸ It is

anticipated that such cloud hosting services will continue during the CAT Fee 2026–1 Period.

The cost for AWS cloud services for the CAT is a function of the volume of CAT Data, largely as a result of the processing and storage of the CAT Data.³⁹ The greater the amount of CAT Data, the greater the cost of AWS services to CAT LLC. During the CAT Fee 2026–1 Period, it is expected that AWS would provide cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”⁴⁰ and that “[i]t is expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”⁴¹ In contrast with those estimates, the Q3 2025 data volumes averaged 792 billion events per day. The highest peak data volume to date of 1.45 trillion events was recorded on April 7, 2025. The top five peak days were recorded in April 2025.

CAT LLC estimates that the budget for cloud hosting services costs during the CAT Fee 2026–1 Period will be approximately 49,866,667.⁴² The budget for cloud hosting services costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the cloud hosting services costs for the second quarter and the cloud hosting services for the third and fourth quarters of 2026 as included in the Updated 2026 CAT Budget.⁴³

CAT LLC estimated the budget for the cost for cloud hosting services for the CAT Fee 2026–1 Period based on an assumption of 35% annual year-over-year volume growth for the transaction database and an assumption of 5% annual year-over-year volume growth

(January 16, 2026) (“CAIS Amendment”). The SEC subsequently approved another amendment to the CAT NMS Plan to implement various cost savings measures that made further changes to the Reference Database. *See* Securities Exchange Act Release No. 105107 (March 27, 2026), 91 FR 16284 (April 1, 2026) (“Cost Savings Amendment”).

³⁹ In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. For further discussion of the effect of processing timelines on cloud hosting costs, *see* Item II.A.2.(2)(A)(i) below.

⁴⁰ *See* Section 1.3 of Appendix D–4 of the CAT NMS Plan, n.262.

⁴¹ *See* Section 1.3 of Appendix D–5 of the CAT NMS Plan.

⁴² *See* chart entitled “Budgeted CAT Costs 2026–1” in Item II.A.1(2)(C) above.

⁴³ This calculation is $(\frac{2}{3} \times 18,700,000) + 18,700,000 + 18,700,000 = 49,866,667$.

for the Reference Database. CAT LLC determined these growth assumptions in coordination with FCAT.⁴⁴

This process for estimating the budget for cloud hosting services costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the cloud hosting services costs for the Original 2026 CAT Budget.

The Original 2026 CAT Budget estimated a budget for cloud hosting services of 17,200,000 for January and February 2026. The actual costs for cloud hosting services for January and February 2026, which are set forth in the Updated 2026 CAT Budget, were 12,829,362. Therefore, the variance between budgeted and actual cloud hosting services costs for January and February 2026 was an approximate decrease of 4,370,638 as a result of lower volumes and a change in functionality.⁴⁵ Accordingly, CAT LLC believes that the process for estimating the budgeted cloud hosting services costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for cloud hosting services costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.⁴⁶ Specifically, the following describes the differences in the costs for cloud hosting services included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for cloud hosting services included in the

⁴⁴ Note that these growth rates are based on events processed and stored in the CAT. Executed transactions are a small subset of such events. As a result, the number of transactions in the CAT, and, hence, the number of executed equivalent shares, is not directly correlated with the number of events processed in the CAT or the costs of cloud hosting services for the CAT. Accordingly, the number of executed equivalent shares may stay relatively constant from year to year while the number of events processed and stored in the CAT may grow significantly.

⁴⁵ *See* chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item II.A.1(2)(C) above.

⁴⁶ The last Prospective CAT Fee, CAT Fee 2025–2, was implemented pursuant to the prior CAT funding model. Moreover, the final invoice for CAT Fee 2025–2 was sent in December 2025, and, therefore, there is a six-month gap between the final invoice for CAT Fee 2025–2 and the first invoice for CAT Fee 2026–1, which would be in June 2026. Accordingly, this filing describes the changes in the cloud hosting services costs from the Original 2026 Budget.

³⁸ On January 13, 2026, the SEC approved an amendment to the CAT NMS Plan relating to the Customer and Account Information System (referred to as “CAIS”). Effective with this amendment, CAIS has been renamed as the “Reference Database.” *See* Securities Exchange Act Release No. 104586 (January 13, 2026), 91 FR 2164

Original 2026 CAT Budget were \$81,900,006, and the annual 2026 budgeted costs for cloud hosting services included in the Updated 2026 CAT Budget are \$77,529,362. Accordingly, budgeted annual costs for cloud hosting services decreased by \$4,370,644 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 5% reduction in cloud hosting services costs for the full year of 2026.⁴⁷ The budgeted decrease in costs for cloud hosting services reflects lower costs for January and February 2026 due to lower than forecasted market volumes in January and the impact of lower processing costs due to shutting down certain functionalities.

(ii) Technology Costs—Operating Fees

(a) Description of Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$19,691,953 in technology costs for operating fees for the CAT Fee 2026–1 Period. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan. Operating fees also include market data provider costs, as discussed below.

Plan Processor: FCAT. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. It is anticipated that FCAT will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Provide the CAT-related functions and services as the Plan Processor as required by SEC Rule 613 and the CAT

NMS Plan in connection with the operation and maintenance of the CAT;

- Address compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provide support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assist with interpretive efforts, exemptive requests and amendments regarding the CAT NMS Plan;
- Oversee the security of the CAT;
- Monitor the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provide support to subcontractors under the Plan Processor Agreement;
- Provide support in discussions with the Participants and the SEC and its staff;
- Operate the FINRA CAT Helpdesk;
- Facilitate communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administer the CAT website and all of its content;
- Maintain cyber security insurance related to the CAT;
- Assist with billing, collection and other CAT fee-related activity; and
- Provide technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

CAT LLC calculated the budget for the FCAT technology costs for operating fees for the CAT Fee 2026–1 Period based on the recurring monthly operating fees under the Plan Processor Agreement.

Market Data Provider: Algoseek. It is anticipated that the operating fees costs for the CAT Fee 2026–1 Period will include costs related to the receipt of certain market data for the CAT pursuant to an agreement between FCAT and Algoseek, LLC (“Algoseek”). CAT LLC determined that Algoseek would provide market data that included data elements set forth in Section 6.5(a)(ii) of the CAT NMS Plan, and that the fees were reasonable and in line with market rates for the market data received. All costs under the contract would be treated as a direct pass through cost to CAT LLC. CAT LLC estimated the budget for the costs for Algoseek for the CAT Fee 2026–1 Period based on the monthly rate set forth in the agreement between Algoseek and FCAT.

Operating Fee Estimates. CAT LLC estimates that the budget for operating fees during the CAT Fee 2026–1 Period

will be approximately \$19,691,953.⁴⁸ The budget for operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) two-thirds of the Non-CAIS fixed operating fees for the second quarter and the Non-CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget and (2) two-thirds of the market data vendor fees for the second quarter and the market data vendor fees for the third and fourth quarter of 2026 included in the Updated 2026 CAT Budget.⁴⁹

As discussed above, CAT LLC estimated the budget for the operating fees during the CAT Fee 2026–1 Period based on monthly rates set forth in the Plan Processor Agreement and the agreement with Algoseek. CAT LLC also recognized that the operating fees are generally consistent throughout the year. This process for estimating the budget for the operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for operating fees of \$5,149,236 for January and February 2026, and the actual costs for operating fees for January and February 2026 were \$5,127,057. Therefore, the variance between budgeted and actual operating fees for this period was small—\$22,179.⁵⁰ Accordingly, CAT LLC believes that the process for estimating the budgeted operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for operating fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for operating fees included in the Original

⁴⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁴⁹ This calculation is $((2/3 \times \$7,191,853) + \$7,191,853 + \$7,191,853) + ((2/3 \times \$192,630) + \$192,630 + \$192,630) = \$19,691,953$.

⁵⁰ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item IIA.1(2)(C) above.

⁴⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Item IIA.1(2)(C) above.

2026 CAT Budget were \$34,345,413, and the annual 2026 budgeted costs for operating fees included in the Updated 2026 CAT Budget are \$29,845,524. Accordingly, budgeted annual costs for operating fees decreased by \$4,499,889 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 13% reduction in operating fees for the full year of 2026.⁵¹ The budgeted decrease in costs for operating fees reflects the proposed amendments to the Plan Processor Agreement related to the recent cost savings amendments to the CAT NMS Plan.⁵²

(iii) Technology Costs—CAIS Operating Fees

(a) Description of CAIS Operating Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the CAIS operating fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$14,179,060 in technology costs for CAIS operating fees for the CAT Fee 2026–1 Period. CAIS operating fees represent the fees paid to FCAT for services provided with regard to the operation and maintenance of the Reference Database (previously referred to as CAIS), and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. The CAT is required under the CAT NMS Plan to capture and store Reference Data in the Reference Database and to create a CAT-Customer-ID for each Customer.⁵³

During the CAT Fee 2026–1 Period, it is anticipated that FCAT will provide services related to the Reference Database. Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT for services related to the Reference Database provided by FCAT on a monthly basis. CAT LLC negotiated the fees for FCAT's services related to the Reference Database on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors,

including the services to be provided and market rates for similar types of activity. During the CAT Fee 2026–1 Period, it is anticipated that FCAT will continue to provide services relating to the ongoing operation, maintenance and support of the Reference Database.

CAT LLC estimates that the budget for CAIS operating fees during the CAT Fee 2026–1 Period will be approximately \$14,179,060.⁵⁴ The budget for CAIS operating fees during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the CAIS fixed operating fees for the second quarter and the CAIS fixed operating fees for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁵⁵

CAT LLC calculated the budget for FCAT's services related to the Reference Database for the CAT Fee 2026–1 Period based on the recurring monthly CAIS operating fees under the Plan Processor Agreement. This process for estimating the budget for the CAIS operating fees for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the CAIS operating fees for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget of \$3,544,764 for CAIS operating fees for January and February of 2026. The actual costs for CAIS operating fees for January and February of 2026, which are included in the Updated 2026 CAT Budget, were \$3,544,764. There was no variance between budgeted and actual CAIS operating fees for the first two months of 2026.⁵⁶ Accordingly, CAT LLC believes that the process for estimating the budgeted CAIS operating fees for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for CAIS operating fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the CAIS operating fees from the Original 2026 Budget. Specifically, the following describes the differences in the costs for CAIS operating fees included in the Original 2026 CAT

Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

CAIS operating fees are based on a recurring monthly rate payable to FCAT and are unchanged from the Original 2026 CAT Budget to the Updated 2026 CAT Budget. The annual 2026 budgeted costs for CAIS operating fees included in the Original 2026 CAT Budget were \$21,268,584, and the annual 2026 budgeted costs for CAIS operating fees included in the Updated 2026 CAT Budget are \$21,268,590.⁵⁷ Accordingly, the budgeted annual costs for CAIS operating fees are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(iv) Technology Costs—Change Request Fees

(a) Description of Change Request Fees

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the change request fees set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in technology costs for change request fees for the CAT Fee 2026–1 Period. The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT.

Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other changes to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change.

The change request budget line is established to include expected costs to be incurred in which the nature of the costs (i.e., capitalization versus expensing) have not yet been determined. Upon the incurrence of such costs, the final determination of capitalization versus expensing is determined and then such costs are reclassified from the change request line to the appropriate technology cost line item.

CAT LLC estimates that the budget for change requests during the CAT Fee 2026–1 Period will be approximately

⁵¹ See chart entitled "Comparison of Full Year Budgeted Costs" in Item II.A.1(2)(C) above.

⁵² See CAIS Amendment and Cost Savings Amendment, *supra* note 38.

⁵³ See Section 9 of Appendix D of the CAT NMS Plan.

⁵⁴ See chart entitled "Budgeted CAT Costs 2026–1" in Item II.A.1(2)(C) above.

⁵⁵ This calculation is $(\frac{2}{3} \times \$5,317,147) + \$5,317,147 + \$5,317,147 = \$14,179,060$.

⁵⁶ See chart entitled "Comparison of Budgeted and Actual Costs for January & February 2026" in Item II.A.1(2)(C) above.

⁵⁷ See chart entitled "Comparison of Full Year Budgeted Costs" in Item II.A.1(2)(C) above.

\$0.⁵⁸ The budget for change requests during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. This \$0 cost number for change request fees reflects the fact that there were no change request fees set forth in the Updated 2026 CAT Budget.

CAT LLC estimated the budget for the potential change requests for the CAT Fee 2026–1 Period based on, among other things, a review of past change requests and potential future change request needs, as well as discussions with FCAT. This process for estimating the budget for the change requests for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the change requests cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a change request budget of \$0 for January and February of 2026. The actual costs for change requests for January and February of 2026, which are set forth in the Updated 2026 CAT Budget, were \$0. There was no variance between budgeted and actual change request costs for January and February of 2026.⁵⁹ Accordingly, CAT LLC believes that the process for estimating the budgeted change request costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for change request fees from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the change request fees from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the costs for change request fees included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted costs for change requests included in the Original 2026 CAT Budget were \$0, and the annual 2026 budgeted costs for change requests included in the Updated 2026 CAT Budget are \$0.⁶⁰ Accordingly, budgeted annual costs for change requests are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(v) Technology Costs—Capitalized Developed Technology Costs

(a) Description of Capitalized Developed Technology Costs

Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the capitalized developed technology costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$3,450,000 in technology costs for capitalized developed technology costs for the CAT Fee 2026–1 Period. This category of costs includes the budget for capitalizable application development costs incurred in the development of the CAT. It is anticipated that such costs will include certain costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT, as well as costs related to a set of technology changes to be implemented by FCAT related to the cost savings amendments⁶¹ and the move to 23x5 trading.

CAT LLC estimates that the budget for capitalized developed technology costs during the CAT Fee 2026–1 Period will be approximately \$3,450,000.⁶² The budget for capitalized developed technology costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding (1) capitalized developed technology costs of \$3,450,000 for May, \$0 for June and \$0 for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget; and (2) \$0 for the Software License Fee 2026 for the second, third, and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁶³

CAT LLC estimated the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including information related to potential technology costs and related contractual and Plan requirements, and discussions with FCAT regarding such potential technology costs. This process for estimating the budget for capitalized developed technology costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the capitalized developed technology costs

for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for capitalized developed technology costs of \$671,472 for January and February 2026, and the actual costs for capitalized developed technology costs for January and February 2026 were \$4,145,430.⁶⁴ The variance of \$3,473,958 for January and February 2026 is the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT. Accordingly, CAT LLC believes that the process for estimating the budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for capitalized developed technology costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the capitalized developed technology costs from the Original 2026 Budget. Specifically, the following describes the differences in the costs for capitalized developed technology costs as included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for capitalized developed technology costs included in the Original 2026 CAT Budget was \$8,228,827, and the annual 2026 budget for capitalized developed technology costs included in the Updated 2026 CAT Budget are \$8,378,964.⁶⁵ Accordingly, the annual budget for capitalized developed technology costs increased by \$150,137 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget, which is an approximate 2% increase in the capitalized developed technology costs for the full year of 2026. This budgeted increase in the annual budget for capitalized developed technology costs was the result of costs related to the software license fee for the Reference Database in accordance with the Plan Processor Agreement with FCAT.

(vi) Legal Costs

(a) Description of Legal Costs

Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan requires the fee filing for a

⁵⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁵⁹ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item IIA.1(2)(C) above.

⁶⁰ See chart entitled “Comparison of Full Year Budgeted Costs” in Item IIA.1(2)(C) above.

⁶¹ See CAIS Amendment and Cost Savings Amendment, *supra* note 38.

⁶² See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁶³ This calculation is $(\$3,450,000 + \$0 + \$0 + \$0) + (\$0 + \$0 + \$0) = \$3,450,000$. Note that the \$4,178,964 cost for the software license fee was not included in the CAT Fee 2026–1 Period.

⁶⁴ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item IIA.1(2)(C) above.

⁶⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Item IIA.1(2)(C) above.

Prospective CAT Fee to provide a brief description of the legal costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes \$5,670,452 in legal costs for the CAT Fee 2026–1 Period. This category of costs represents budgeted costs for legal services for this period. CAT LLC anticipates that it will receive legal services from two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Jenner & Block LLP (“Jenner”), during the CAT Fee 2026–1 Period.

Law Firm: WilmerHale. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by WilmerHale. CAT LLC anticipates that it will continue to employ WilmerHale during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project and recognition that the hourly fee rates for this law firm are anticipated to be in line with market rates for specialized legal expertise. WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. The legal fees will be paid by CAT LLC to WilmerHale.

During the CAT Fee 2026–1 Period, it is anticipated that WilmerHale will provide legal services related to the following:

- Assist with CAT fee filings and related funding issues;
- Draft exemptive requests from CAT NMS Plan requirements and/or proposed amendments to the CAT NMS Plan;
- Provide legal guidance with respect to interpretations of CAT NMS Plan requirements;
- Provide legal support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team;
- Draft SRO rule filings related to the CAT Compliance Rule;
- Manage corporate governance matters, including supporting Operating Committee meetings and preparing resolutions and consents;
- Assist with communications with the industry, including CAT Alerts and presentations;
- Provide guidance regarding the confidentiality of CAT Data;
- Assist with cost management analyses and proposals;

- Assist with commercial contract-related matters, including change orders and amendments, Plan Processor Agreement items, and subcontract matters;

- Provide support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues;
- Provide legal guidance with respect to the CAT budgets;
- Provide background assistance to other counsel for CAT matters;
- Assist with legal responses related to third-party data requests; and
- Provide legal support regarding CAT policies and procedures.

CAT LLC estimated the budget for the legal costs for WilmerHale for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including WilmerHale fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Law Firm: Jenner. It is anticipated that legal costs during the CAT Fee 2026–1 Period will include costs related to the legal services performed by Jenner. CAT LLC anticipates that it will continue to employ Jenner during the CAT Fee 2026–1 Period based on among other things, their expertise, history with the project and recognition that their hourly fee rates are in line with market rates for specialized legal expertise. The legal fees will be paid by CAT LLC to Jenner.

During the CAT Fee 2026–1 Period, it is anticipated that Jenner will continue to provide legal assistance to CAT LLC regarding certain litigation matters, including: (1) CAT LLC’s defense against a lawsuit filed in the Western District of Texas against the SEC Chair, the SEC and CAT LLC challenging the validity of Rule 613 and the CAT and alleging various constitutional, statutory, and common law claims;⁶⁶ (2) CAT LLC’s intervention in a lawsuit in the Eleventh Circuit filed by various parties against the SEC challenging the SEC’s approval of the CAT Funding Model;⁶⁷ and (3) a lawsuit in the Eleventh Circuit filed by Citadel Securities LLC seeking review of the SEC’s May 20, 2024 order⁶⁸ granting the Participants temporary conditional exemptive relief related to the reporting of bids and/or offers made in response to a request for quote or other form of solicitation response provided in standard electronic format that is not

immediately actionable.⁶⁹ Litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model. Jenner also will continue to provide legal counseling to CAT LLC related to the above-listed litigation and other litigation risk.

CAT LLC estimated the budget for the legal costs for Jenner for the CAT Fee 2026–1 Period through an analysis of a variety of factors, including Jenner’s fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues.

Legal Cost Estimates. CAT LLC estimates that the budget for legal services during the CAT Fee 2026–1 Period will be approximately \$5,670,452.⁷⁰ The budget for legal services during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding budgeted costs for two-thirds of the legal costs for the second quarter and the legal costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷¹

CAT LLC estimated the budget for the legal services for the CAT Fee 2026–1 Period based on an analysis of a variety of factors, including law firm fee rates, historical legal fees, and information related to pending legal issues and potential future legal issues. This process for estimating the budget for the legal services for CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the legal cost for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for legal costs of \$1,424,166 for January and February of 2026. The actual costs for legal services for January and February 2026, which are included in the Updated 2026 Budget, were \$1,838,617.⁷² The increase of \$414,451 was due to unanticipated issues that required additional legal efforts on behalf of CAT LLC that developed after the budget was created. Such additional costs were primarily due to additional legal work related to litigation matters as well as regulatory and corporate legal matters. Accordingly, CAT LLC believes that the process for estimating the

⁶⁹ Citadel Securities LLC v. Securities and Exchange Comm’n, No. 24–12300 (11th Cir. July 19, 2024).

⁷⁰ See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁷¹ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

⁷² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item IIA.1(2)(C) above.

⁶⁶ Davidson v. Atkins, No. 6:24–cv–197, 2024 U.S. Dist. LEXIS 193470 (W.D. Tex. Apr. 16, 2024).

⁶⁷ Am. Sec. Ass’n v. Securities and Exchange Comm’n, No. 26–10936 (11th Cir. Mar. 24, 2026).

⁶⁸ See Securities Exchange Act Release No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

budgeted legal costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for legal costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the legal costs from the Original 2026 Budget. Specifically, the following describes the differences in the legal costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted legal costs included in the Original 2026 CAT Budget were \$8,485,000, and the annual 2026 budgeted legal costs included in the Updated 2026 CAT Budget are \$8,939,184.⁷³ Accordingly, the annual budget for legal costs increased by \$454,184 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 5% increase in the legal costs for the full year of 2026. This budgeted increase in the legal costs in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to an anticipated increase in legal costs related to litigation matters as well as regulatory and corporate legal matters.

(vii) Consulting Costs

(a) Description of Consulting Costs

Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the consulting costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,025,957 in consulting costs for the CAT Fee 2026–1 Period. The consulting costs represent the fees estimated to be paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the CAT Fee 2026–1 Period. The services provided by Deloitte to the CAT include advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses. In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee.

It is anticipated that the costs for CAT during the CAT Fee 2026–1 Period will include costs related to consulting services performed by Deloitte. CAT

LLC anticipates that it will continue to employ Deloitte during the CAT Fee 2026–1 Period based on, among other things, their expertise, long history with the project, and the recognition that it is anticipated that the consulting fees will remain in line with market rates for this type of specialized consulting work. Deloitte’s fee rates are negotiated on an annual basis. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. The consulting fees will be paid by CAT LLC to Deloitte.

It is anticipated that Deloitte will provide a variety of consulting services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Implement program operations for the CAT project;
- Provide support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assist with cost and funding matters for the CAT, including assistance with loans and the CAT bank account for CAT funding;
- Provide support for updating the SEC on the progress of the development of the CAT; and
- Provide support for third party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

In addition, the consulting costs include the compensation for the Chair of the CAT Operating Committee, which is paid by CAT LLC.

CAT LLC estimates that the budget for consulting costs during the CAT Fee 2026–1 Period will be approximately \$1,025,957.⁷⁴ The budget for consulting costs during the CAT Fee 2026–1 Period is calculated based on the Updated 2026 CAT Budget. Specifically, this estimate was calculated by adding two-thirds of the consulting costs for the second quarter and the consulting costs for the third and fourth quarters of 2026 included in the Updated 2026 CAT Budget.⁷⁵

CAT LLC estimates the budget for the consulting costs for Deloitte for the CAT Fee 2026–1 Period based on the current statement of work with Deloitte, which took into consideration past consulting costs, potential future consulting needs, the proposed rates and other contractual issues, and discussions with Deloitte, as

well as the compensation arrangement for the Chair. This process for estimating the budget for consulting costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the consulting costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for consulting services of \$258,334 for January and February 2026, and the actual costs for consulting services for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$267,554.⁷⁶ Therefore, the variance between budgeted and actual consulting costs for January and February was approximately 4%. Accordingly, CAT LLC believes that the process for estimating the budgeted consulting costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for consulting costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the consulting costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in the consulting costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budget for consulting costs included in the Original 2026 CAT Budget was \$1,550,000, and the annual 2026 budget for consulting costs included in the Updated 2026 CAT Budget is \$1,550,000.⁷⁷ Accordingly, the annual budget for consulting costs has not changed from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026.

(viii) Insurance Costs

(a) Description of Insurance Costs

Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the insurance costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$852,768 in insurance costs for the CAT Fee 2026–1 Period.⁷⁸ The

⁷⁶ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item II.A.1(2)(C) above.

⁷⁷ See chart entitled “Comparison of Full Year Budgeted Costs” in Item II.A.1(2)(C) above.

⁷⁸ See chart entitled “Budgeted CAT Costs 2026–1” in Item II.A.1(2)(C) above.

⁷³ See chart entitled “Comparison of Full Year Budgeted Costs” in Item II.A.1(2)(C) above.

⁷⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Item II.A.1(2)(C) above.

⁷⁵ This calculation is $(\frac{2}{3} \times \$2,145,170) + \$2,125,170 + \$2,115,170 = \$5,670,452$.

insurance costs represent the costs to be incurred for insurance for the CAT during the CAT Fee 2026–1 Period.

It is anticipated that the insurance costs for CAT during the CAT Fee 2026–1 Period will include costs related to cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance brokered by USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. CAT LLC anticipates that it will continue to maintain this insurance during the CAT Fee 2026–1 Period, and notes that the annual premiums for these policies were competitive for the coverage provided. CAT LLC estimated the budget for the insurance costs for the CAT Fee 2026–1 Period based on the insurance estimate from USI for 2026. The annual premiums would be paid by CAT LLC to USI.

The budgeted insurance costs for the CAT Fee 2026–1 Period are based on an insurance cost estimate from USI for 2026. Accordingly, CAT LLC believes that the process for estimating the budgeted insurance costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for insurance costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the insurance costs from the Original 2026 Budget. Specifically, the following describes the differences in the insurance costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted insurance costs included in the Original 2026 CAT Budget were \$1,505,625, and the annual 2026 budgeted insurance costs included in the Updated 2026 CAT Budget are \$1,254,070.⁷⁹ Accordingly, the annual budget for insurance costs decreased by \$251,555 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 16% decrease in the insurance costs for the full year of 2026. This budgeted decrease in the insurance costs in the Updated 2026 CAT Budget from the Original 2026 Budget was

primarily due to an anticipated decrease in insurance premiums.

(ix) Professional and Administration Costs

(a) Description of Professional and Administration Costs

Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the professional and administration costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$749,151 in professional and administration costs for the CAT Fee 2026–1 Period. In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁸⁰ The professional and administration costs would include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. The professional and administration costs represent the fees to be paid to Anchin, Block & Anchin ("Anchin") and Grant Thornton LLP ("Grant Thornton") for financial services during the CAT Fee 2026–1 Period.

Financial Advisory Firm: Anchin. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to financial advisory services performed by Anchin. CAT LLC anticipates that it will continue to employ Anchin during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. The fees for these services will be paid by CAT LLC to Anchin.

It is anticipated that Anchin will provide a variety of services to the CAT during the CAT Fee 2026–1 Period, including the following:

- Update and maintain internal controls;
- Provide cash management and treasury functions;
- Facilitate bill payments to vendors;
- Facilitate repayments of promissory notes to Participants;
- Provide monthly bookkeeping;

- Review vendor invoices and documentation in support of cash disbursements;

- Review documentation to ensure that repayments of promissory notes to Participants are in accordance with established policies and procedures;

- Provide accounting research and consultations on various accounting, financial reporting and tax matters;

- Address not-for-profit tax and accounting considerations;

- Prepare tax returns;

- Address various accounting, financial reporting and operating inquiries from Participants;

- Develop and maintain annual and interim operating and financial budgets, including budget to actual and budget to budget fluctuation analyses;

- Support compliance with the CAT NMS Plan;

- Work with and provide support to the Operating Committee, Leadership Team and various CAT working groups;

- Prepare monthly, quarterly and annual financial statements;

- Review and reconcile the monthly FINRA CAT reports/analyses related to billings, collections, outstanding accounts receivable and cash account;

- Perform certain verification, completeness, and validation testing related to the monthly FINRA CAT reports/analyses related to billings;

- Support the annual financial statement audits by an independent auditor;

- Review historical costs from inception;

- Provide accounting and financial information in support of SEC filings; and

- Perform additional ad hoc accounting and financial advisory services, as requested by CAT LLC.

CAT LLC estimated the annual budget for the costs for Anchin based on historical costs adjusted for cost of living rate increases, and projected incremental advisory and support services.

Accounting Firm: Grant Thornton. It is anticipated that the professional and administration costs for the CAT Fee 2026–1 Period will include costs related to accounting services performed by Grant Thornton. CAT LLC anticipates that it will continue to employ Grant Thornton during the CAT Fee 2026–1 Period based on, among other things, the firm's relevant expertise and fees, which are anticipated to remain in line with market rates for these financial advisory services. It is anticipated that Grant Thornton will continue to be engaged as an independent accounting firm to complete the audit of CAT LLC's financial statements, in accordance with

⁷⁹ See chart entitled "Comparison of Full Year Budgeted Costs" in Item II.A.1(2)(C) above.

⁸⁰ See Section 9.2 of the CAT NMS Plan.

the requirements of the CAT NMS Plan. The fees for these services will be paid by CAT LLC to Grant Thornton. CAT LLC estimated the budget for the accounting costs for Grant Thornton for the CAT Fee 2026–1 Period based on the anticipated hourly rates and the anticipated services plus an administrative fee.

Professional and Administration Cost Estimates. CAT LLC estimates that the budget for professional and administration services during the CAT Fee 2026–1 Period will be approximately \$749,151.⁸¹ The budget for professional and administration services during the CAT Fee 2026–1 Period is based on the Updated 2026 CAT Budget. CAT LLC estimated the budget for the professional and administration costs for the CAT Fee 2026–1 Period based on a review of past professional and administration costs, potential future professional and administration needs, the proposed rates and other contractual issues, as well as discussions with Anchin and Grant Thornton. This process for estimating the budget for the professional and administration costs for the CAT Fee 2026–1 Period is the same process by which CAT LLC estimated the professional and administration costs for the Original 2026 CAT Budget. The Original 2026 CAT Budget estimated a budget for professional and administration costs of \$190,916 for January and February 2026, and the actual costs for professional and administration services for January and February 2026, which are set forth in the Updated 2026 Budget, were \$149,061.⁸² The decrease of \$41,855 was due to a lower than expected professional and administration services costs and to the movement of bank fees from the professional and administration category to the interest income category. Accordingly, CAT LLC believes that the process for estimating the budgeted professional and administration costs for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for professional and administration costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the

professional and administration costs from the Original 2026 Budget. Specifically, the following describes the differences in the professional and administration costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted professional and administration costs as included in the Original 2026 CAT Budget were \$1,145,500, and the annual 2026 budgeted professional and administration costs included in the Updated 2026 CAT Budget are \$1,085,500.⁸³ Accordingly, the budgeted annual costs for professional and administration services decreased by \$60,000 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026. This budgeted decrease in the professional and administration costs in the Updated 2026 CAT Budget from the Original 2026 Budget was due to the movement of bank fees from the professional and administration category to the interest income category, and not a change in costs related to Anchin and Grant Thornton services.

(x) Public Relations Costs

(a) Description of Public Relations Costs

Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the public relations costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$0 in public relations costs for the CAT Fee 2026–1 Period. The public relations costs would represent the fees paid to a public relations firm for professional communications services to CAT, including media relations consulting, strategy and execution. Because CAT LLC anticipates that it will not engage a public relations firm for the CAT Fee Period 2026–1, the budget for public relations costs for this period is \$0.⁸⁴

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for public relations costs from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in the public

relations costs from the Original 2026 Budget. Specifically, the following describes the differences (if any) in public relations costs included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual budgeted public relations costs for 2026 included in the Original 2026 CAT Budget were \$0, and the annual budgeted public relations costs for 2026 included in the Updated 2026 CAT Budget are \$0.⁸⁵ Accordingly, the annual budgeted public relations costs for 2026 are the same for both the Original 2026 CAT Budget and the Updated 2026 CAT Budget.

(xi) Interest Income

(a) Description of Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that included \$1,453,382 in interest income for the CAT Fee 2026–1 Period.⁸⁶ Interest income represents the interest earned on the surplus reserve and other funds held by CAT LLC. Such income would be used to reduce the amount to be collected to fund the CAT.

CAT LLC estimates the budget for the interest income for the CAT Fee 2026–1 Period based on the estimate of the funds held by CAT LLC and the expected interest rates on such funds. The Original 2026 CAT Budget estimated interest income of \$758,343 for January and February 2026, and the actual interest income for January and February 2026, which are included in the Updated 2026 CAT Budget, were \$757,527.⁸⁷ As mentioned above, bank fees were moved from the professional and administration category in the Original 2026 CAT Budget to the interest income category in the Updated 2026 CAT Budget. Accordingly, the interest income amount for the Updated 2026 CAT Budget was net of \$10,000 in bank fees. Therefore, the variance between budgeted and actual interest income (aside from bank fees) for January and February 2026 was approximately \$10,000. Accordingly, CAT LLC believes that the process for

⁸¹ See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁸² See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item IIA.1(2)(C) above.

⁸³ See chart entitled “Comparison of Full Year Budgeted Costs” in Item IIA.1(2)(C) above.

⁸⁴ See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁸⁵ See chart entitled “Comparison of Full Year Budgeted Costs” in Item IIA.1(2)(C) above.

⁸⁶ See chart entitled “Budgeted CAT Costs 2026–1” in Item IIA.1(2)(C) above.

⁸⁷ See chart entitled “Comparison of Budgeted and Actual Costs for January & February 2026” in Item IIA.1(2)(C) above.

estimating the budgeted interest income for the CAT Fee 2026–1 Period is reasonable.

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in each line item from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in interest income from the Original 2026 CAT Budget. Specifically, the following describes the differences in the interest income included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The annual 2026 budgeted interest income as included in the Original 2026 CAT Budget was \$1,995,958, and the annual 2026 budgeted interest income included in the Updated 2026 CAT Budget is \$2,806,325.⁸⁸ Accordingly, the budgeted interest income (not including bank fees) increased by \$810,367 from the Original 2026 CAT Budget to the Updated 2026 CAT Budget for the full year of 2026, which is an approximate 40% increase in the interest income for the full year of 2026. This budgeted increase in the interest income in the Updated 2026 CAT Budget from the Original 2026 Budget was primarily due to higher than expected cash balances being maintained after the approval of the Original 2026 Budget.

(xii) Reserve

(a) Description of Reserve

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to provide a brief description of the reserve costs set forth in the budget. The Operating Committee approved an operating budget for the CAT pursuant to Section 11.1(a) of the CAT NMS Plan that includes a reserve amount for 2026. Section 11.1(a)(i) of the CAT NMS Plan states that the budget shall include a reserve. Section 11.1(a)(ii) of the CAT NMS Plan further describes the reserve as follows:

For the reserve referenced in paragraph (a)(i) of this Section, the budget will include an amount reasonably necessary to allow the Company to maintain a reserve of not more than 25% of the annual budget. To the extent collected CAT fees exceed CAT costs, including the reserve of 25% of the annual budget, such surplus shall be used to offset future fees. For the avoidance of doubt, the Company will only include an amount for the reserve in the annual budget if the

Company does not have a sufficient reserve (which shall be up to but not more than 25% of the annual budget). For the avoidance of doubt, the calculation of the amount of the reserve would exclude the amount of the reserve from the budget.

CAT LLC determined to maintain a reserve in the amount of 25% of the total expenses set forth in the Updated 2026 CAT Budget (which does not include the reserve amount). Accordingly, the total 25% reserve of \$23,508,157 was calculated by multiplying the total expenses set forth in the Updated 2026 CAT Budget (other than the reserve) by 25%.⁸⁹

The Updated 2026 CAT Budget estimates that CAT LLC will have \$102,391,135 in reserve as of the beginning of the CAT Fee Period 2026–1. Such reserve is related, in part, to (i) the collection of CAT fees in excess of the budgeted CAT costs in light of the greater actual executed equivalent share volume than the projected executed equivalent share volume for prior CAT Fees, and (ii) a reduction in anticipated budgeted costs associated with the implementation of certain cost savings measures. This reserve balance of \$102,391,135 would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648.

Accordingly, the fee rate for CAT Fee 2026–1 is calculated based on this reduced amount of \$15,149,648, resulting in a fee rate of \$0.000001 per executed equivalent share. If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be the higher rate of \$0.000010.⁹⁰

(b) Changes From Prior Fee Filing

Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan requires the fee filing for a Prospective CAT Fee to describe the reason for changes in the line item for a reserve from the prior CAT Fee filing. As this is the first Prospective CAT Fee filing under this CAT Funding Model, this filing describes the changes in reserve from the Original 2026 CAT

Budget. Specifically, the following describes the differences in the reserve included in the Original 2026 CAT Budget versus the Updated 2026 CAT Budget, and the reasons for any changes.

The accrued liquidity reserve balance at the beginning of the year included in the Original 2026 CAT Budget was \$119,128,336. The Original 2026 CAT Budget contemplated using the reserve to pay CAT bills throughout the year as no CAT fee was in effect. The accrued liquidity reserve balance at the beginning of the year included in the Updated 2026 CAT Budget was \$155,403,378. The increase in the accrued liquidity reserve balance at the beginning of the year from the Original 2026 CAT Budget to the Updated 2026 CAT Budget reflected the additional CAT Fees that had been received after the approval of the Original 2026 CAT Budget. In addition, the Updated 2026 CAT Budget not only reflected the use of the surplus reserve to pay CAT bills but also the accrual of additional reserve to establish a 25% reserve through CAT Fee 2026–1. Accordingly, the estimated liquidity reserve balance increased from a deficit of \$37,304,661 included in the Original 2026 CAT Budget to a reserve balance of \$23,508,157 included in the Updated 2026 CAT Budget for the full year of 2026.

(D) Projected Total Executed Equivalent Share Volume

The calculation of Fee Rate 2026–1 also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for the CAT Fee 2026–1 Period. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each relevant period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁹¹ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁹²

The total executed equivalent share volume of transactions in Eligible

⁸⁸ See chart entitled “Comparison of Full Year Budgeted Costs” in Item II.A.1(2)(C) above.

⁸⁹ The reserve was calculated by multiplying \$94,032,626 by 25%, which equals approximately \$23,508,157.

⁹⁰ See CAT Fee Alert 2026–1 (April 1, 2026), <https://www.catnmsplan.com/sites/default/files-2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>.

⁹¹ See Section 11.3(a)(i)(D) of the CAT NMS Plan.

⁹² See CAT Funding Model Approval Order, 91 FR 13410, 13452.

Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the eight-month recovery period for CAT Fee 2026–1 by multiplying by 8/12ths the executed equivalent share volume for the 12-month period from March 2025 through February 2026. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for the eight-month period for CAT Fee 2026–1 is projected to be 3,987,291,699,573.66 executed equivalent shares.⁹³

The projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1 and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a CAT Fee.⁹⁴

(E) Fee Rate 2026–1

Fee Rate 2026–1 would be calculated by dividing the Budgeted CAT Costs 2026–1 by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the eight-month recovery period for CAT Fee 2026–1, as described in detail above.⁹⁵ Specifically, Fee Rate 2026–1 would be calculated by dividing \$15,149,648 by 3,987,291,699,573.66 executed equivalent shares. As a result, Fee Rate 2026–1 would be \$0.000003799483243631228 per executed equivalent share. Fee Rate 2026–1 is provided in this filing in

⁹³ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by 8/12ths.

⁹⁴ See Section 11.3(a)(iii)(B) of the CAT NMS Plan.

⁹⁵ In approving the CAT Funding Model, the Commission stated that “[t]he manner in which the Fee Rate for Prospective CAT Costs will be calculated (*i.e.*, by dividing the CAT costs reasonably budgeted for the upcoming year by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for the year) is appropriate.” See CAT Funding Model Approval Order, 91 FR 13410, 13435.

accordance with the requirement in the CAT NMS Plan to provide the Fee Rate in a fee filing for a CAT Fee.⁹⁶

Fee Rate 2026–1 would be used to calculate the fee rate to be paid by CEBs and CEBBs for CAT Fee 2026–1. Such fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-third, and rounding the result to six decimal places.⁹⁷ Accordingly, the fee rate to be paid by CEBs and CEBBs for CAT Fee 2026–1 would be \$0.000001 per executed equivalent share.

(3) Monthly Fees

CEBs and CEBBs would be required to pay fees for CAT Fee 2026–1 on a monthly basis for eight months, from July 2026 until January 2027. A CEBB's or CEB's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEB from the prior month.⁹⁸ Proposed paragraph (a)(1)(F)(i) of Rule 6897 would state that each CAT Executing Broker would receive its first invoice for CAT Fee 2026–1 in June 2026, and would receive an invoice for CAT Fee 2026–1 each month thereafter until January 2027. Proposed paragraph (a)(1)(F)(ii) of Rule 6897 would state that “Consolidated Audited Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” In addition, paragraph (a)(2)(A) of Rule 6897 states that each CEBB and CEB is required to pay its CAT fees “each month.”

(4) Consolidated Audit Trail Funding Fees

To implement CAT Fee 2026–1, FINRA proposes to add a new paragraph to the FINRA Rule 6897 (Consolidated Audit Trail Funding Fees), to include the proposed paragraphs described below.

(A) CAT Fee 2026–1

The CAT NMS Plan states that:

Each Industry Member that is the CAT Executing Broker for the buyer in a transaction in Eligible Securities (“CAT Executing Broker for the Buyer” or “CEBB”) and each Industry Member that is the CAT Executing Broker for the seller in a transaction in Eligible Securities (“CAT Executing Broker for the Seller” or “CEBS”) will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEB's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

⁹⁶ See Section 11.3(a)(iii)(B)(A) of the CAT NMS Plan.

⁹⁷ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

⁹⁸ See proposed paragraph (a)(1)(F)(ii) of FINRA Rule 6897.

will be required to pay a CAT Fee for each such transaction in Eligible Securities in the prior month based on CAT Data. The CEBB's CAT Fee or CEB's CAT Fee (as applicable) for each transaction in Eligible Securities will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Fee Rate reasonably determined pursuant to paragraph (a)(i) of this Section 11.3.⁹⁹

Accordingly, based on the factors discussed above, FINRA proposes to add paragraph (a)(1)(F) to FINRA Rule 6897, which would state that:

(i) Each CAT Executing Broker shall receive its first invoice for CAT Fee 2026–1 in June 2026, which shall set forth the CAT Fee 2026–1 fees calculated based on transactions in May 2026, and shall receive an invoice for CAT Fee 2026–1 for each month thereafter until January 2027.

(ii) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.

(iii) Notwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (a)(1)(F)(i) of this Rule, CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.

(iv) Each CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (a)(2) of this Rule.

As noted in the Plan amendment for the CAT Funding Model, “[a]s a practical matter, the fee filing would provide the exact fee per executed equivalent share to be paid for the CAT Fees, by multiplying the Fee Rate by one-third and describing the relevant number of decimal places for the fee.”¹⁰⁰ Accordingly, proposed paragraph (a)(1)(F)(ii) of Rule 6897 would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 of \$0.000003799483243631228 by one-

⁹⁹ See Section 11.3(a)(iii)(A) of the CAT NMS Plan.

¹⁰⁰ See CAT Funding Model Approval Order, 91 FR 13410, 13445 n.677.

third, and rounding the result to six decimal places.¹⁰¹ The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

The proposed language in paragraph (a)(1)(F)(i) of Rule 6897 would describe when CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1. Specifically, CAT Executing Brokers would receive their first monthly invoice for CAT Fee 2026–1 in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (a)(2)(B) of Rule 6897.

Proposed paragraph (a)(1)(F)(i) of Rule 6897 also would describe the monthly cadence of the invoices for CAT Fee 2026–1. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter until January 2027.

Proposed paragraph (a)(1)(F)(ii) of Rule 6897 would describe the invoices for CAT Fee 2026–1. Proposed paragraph (a)(1)(F)(ii) of Rule 6897 would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for CAT Fee 2026–1 on a monthly basis.” Proposed paragraph (a)(1)(F)(ii) of Rule 6897 also would describe the fees to be set forth in the invoices for CAT Fee 2026–1. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (‘CEBB’) and/or the CAT Executing Broker for the Seller (‘CEBS’) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000001 per executed equivalent share.”

Since CAT Fee 2026–1 is a monthly fee based on actual transaction volume from the prior month, CAT Fee 2026–1 may collect more or less than two-thirds of the Budgeted CAT Costs 2026–1. To the extent that CAT Fee 2026–1 collects more than two-thirds of the Budgeted

CAT Costs 2026–1, any excess money collected will be used to offset future fees and/or to fund the reserve for the CAT. To the extent that CAT Fee 2026–1 collects less than two-thirds of the Budgeted CAT Costs 2026–1, the budget for the CAT in the ensuing months will reflect such shortfall.

Furthermore, proposed paragraph (a)(1)(F)(iii) of Rule 6897 would describe how long CAT Fee 2026–1 would remain in effect. It would state that “[n]otwithstanding the last invoice date of January 2027 for CAT Fee 2026–1 in paragraph (a)(1)(F)(i) of this Rule, CAT Fee 2026–1 shall continue in effect after January 2027, with each CAT Executing Broker receiving an invoice for CAT Fee 2026–1 each month, until a new subsequent CAT Fee is in effect with regard to Industry Members in accordance with Section 19(b) of the Exchange Act. Consolidated Audit Trail, LLC will provide notice when CAT Fee 2026–1 will no longer be in effect.”

Finally, proposed paragraph (a)(1)(F)(iv) of Rule 6897 would set forth the requirement for the CAT Executing Brokers to pay the invoices for CAT Fee 2026–1. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for CAT Fee 2026–1 in accordance with paragraph (a)(2) of this Rule.”

(B) Manner of Payment

Paragraph (a)(2)(A) of Rule 6897 describes the manner of payment of Industry Member CAT fees. It states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a)(1) of this Rule each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.¹⁰² The Plan Processor has established a billing system for CAT fees.¹⁰³ Accordingly, CAT Executing Brokers would be required to pay CAT Fee 2026–1 in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days

after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.¹⁰⁴

Accordingly, Paragraph (a)(2)(B) of Rule 6897 states that:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a)(1) of this Rule within 30 days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (a)(2) would apply to CAT Fee 2026–1.

(5) CAT Fee Details

The CAT NMS Plan states that:

Details regarding the calculation of a Participant or CAT Executing Broker’s CAT Fees will be provided upon request to such Participant or CAT Executing Broker. At a minimum, such details would include each Participant or CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.¹⁰⁵

Such information would provide CEBBs and CEBBs with the ability to understand the details regarding the calculation of their CAT Fee.¹⁰⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their CAT Fees on their monthly invoice for the CAT Fees.

In addition, CAT LLC will make certain aggregate statistics regarding CAT Fees publicly available. Specifically, the CAT NMS Plan states that, “[f]or each CAT Fee, at a minimum, CAT LLC will make publicly available the aggregate executed

¹⁰⁴ See Section 11.4 of the CAT NMS Plan.

¹⁰⁵ See Section 11.3(a)(iv)(A) of the CAT NMS Plan.

¹⁰⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” See CAT Funding Model Approval Order, 91 FR 13410, 13454.

¹⁰¹ This fee rate of \$0.000001 is calculated by multiplying the Fee Rate of \$0.000003799483243631228 by one-third, and rounding this result (which equals \$0.000001266494414543743) to 6 decimal places.

¹⁰² See Section 11.4 of the CAT NMS Plan.

¹⁰³ The billing process and system are described in CAT Alert 2023–02 as well as in the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023 and Nov. 7, 2023), each available on the CAT website.

equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.”¹⁰⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that CAT Fee 2026–1 is in effect as well as the total amount invoiced for CAT Fee 2026–1 for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for CAT Fee 2026–1.

(6) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any CAT Fee related to Prospective CAT Costs until the Financial Accountability Milestone related to Period 4 described in Section 11.6 has been satisfied.”¹⁰⁸ Under Section 1.1 of the CAT NMS Plan, a Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the second and third quarter of 2024,¹⁰⁹ the Financial Accountability Milestone related to Period 4 was satisfied on July 15, 2024. In addition, the satisfaction of the Financial Accountability Milestone related to Period 4 was described in detail in the fee filing for the first Prospective CAT Fee, CAT Fee 2024–1.¹¹⁰

(7) Participant Invoices

While CAT Fees charged to Industry Members become effective in accordance with the requirements of

Section 19(b) of the Exchange Act,¹¹¹ CAT fees charged to Participants are implemented via an approval of the CAT fees by the Operating Committee in accordance with the requirements of the CAT NMS Plan.¹¹² On March 31, 2026, the Operating Committee approved the Participant fee related to CAT Fee 2026–1. Specifically, pursuant to the requirements of CAT NMS Plan,¹¹³ each Participant would be required to pay a CAT fee calculated using the fee rate of \$0.000001 per executed equivalent share, which is the same fee rate that applies to CEBBs and CEBSSs. Like CEBBs and CEBSSs, each Participant would be invoiced such CAT fees on a monthly basis for eight months, from June 2026 until January 2027, and each Participant’s fee for each month would be calculated based on the transactions in Eligible Securities executed on the applicable exchange (for the Participant exchanges) or otherwise than on an exchange (for FINRA) in the prior month. Accordingly, each Participant will receive its first invoice in June 2026, and would receive an invoice each month thereafter until January 2027. Like with the CAT Fee 2026–1 applicable to CEBBs and CEBSSs as described in proposed paragraph (a)(1)(F)(iii) of Rule 6897, notwithstanding the last invoice date of January 2027, Participants will continue to receive invoices for this fee each month until a new subsequent CAT Fee is in effect with regard to Industry Members. Furthermore, Section 11.4 of the CAT NMS Plan states that each Participant is required to pay such invoices as required by Section 3.7(b) of the CAT NMS Plan. Section 3.7(b) states, in part, that

[e]ach Participant shall pay all fees or other amounts required to be paid under this Agreement within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated) (the “Payment Date”). The Participant shall pay interest on the outstanding balance from the Payment Date until such fee or amount is paid at a per annum rate equal to the lesser of: (i) Prime Rate plus 300 basis points; or (ii) the maximum rate permitted by applicable law.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with Section 15A(b)(6) of the Act,¹¹⁴ which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. FINRA also believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹¹⁵ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls. FINRA further believes that the proposed rule change is consistent with Section 15A(b)(9) of the Act,¹¹⁶ which requires that FINRA rules not impose any burden on competition that is not necessary or appropriate. Section 15A(b)(2) of the Act¹¹⁷ also requires that FINRA be “so organized and [have] the capacity to be able to carry out the purposes” of the Act and “to comply, and . . . to enforce compliance by its members and persons associated with its members,” with the provisions of the Exchange Act. Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit FINRA to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of any facility or system that FINRA operates or controls.

FINRA believes that this proposed rule change is consistent with the Act because it implements provisions of the Plan and is designed to assist FINRA in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁸ To the extent that this proposed rule change implements the Plan and applies

¹⁰⁷ See Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” See CAT Funding Model Approval Order, 91 FR 13410, 13454.

¹⁰⁸ See Section 11.3(a)(iii)(C) of the CAT NMS Plan.

¹⁰⁹ See Q2 & Q3 2024 Quarterly Progress Report (July 29, 2024), https://www.catnmsplan.com/sites/default/files/2024-07/CAT_Q2-and-Q3-2024-QPR.pdf.

¹¹⁰ See Securities Exchange Act Release No. 100881 (August 30, 2024), 89 FR 72478 (September 5, 2024) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2024-011).

¹¹¹ See Section 11.3(a)(i)(A)(I) of the CAT NMS Plan.

¹¹² See CAT Funding Model Approval Order, 91 FR 13410, 13448.

¹¹³ See Section 11.3(a)(ii) and Appendix B of the CAT NMS Plan.

¹¹⁴ 15 U.S.C. 78o-3(b)(6).

¹¹⁵ 15 U.S.C. 78o-3(b)(5).

¹¹⁶ 15 U.S.C. 78o-3(b)(9).

¹¹⁷ 15 U.S.C. 78o-3(b)(2).

¹¹⁸ See CAT NMS Plan Approval Order, 81 FR 84696, 84697.

specific requirements to Industry Members, FINRA believes that this proposed rule change furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

FINRA also believes that the proposed fees to be paid by the CEBBs and CEBSS are reasonable, equitably allocated and not unfairly discriminatory.

The proposed CAT Fee 2026–1 fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes. The proposed fees would not cover FINRA services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. Thus, FINRA believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that “[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves.” Per Section 11.1(b) of the CAT NMS Plan, FINRA has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. FINRA believes that this proposed rule change is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist FINRA and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan “is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act.”¹¹⁹ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.¹²⁰ As this

proposed rule change implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, FINRA believes that this proposed rule change furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for CAT Fee 2026–1 Is Reasonable

The SEC has determined that the CAT Funding Model satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining CAT Fees as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for CAT Fees, satisfies the Exchange Act.¹²¹ In each respect, as discussed above, CAT Fee 2026–1 is calculated, and would be applied, in accordance with the requirements applicable to CAT Fees as set forth in the CAT NMS Plan. Furthermore, as discussed below, FINRA believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for CAT Fee 2026–1 is reasonable and consistent with the Exchange Act. The calculation of Fee Rate 2026–1 for CAT Fee 2026–1 requires the figures for Budgeted CAT Costs 2026–1, the executed equivalent share volume for the prior twelve months, the determination of the CAT Fee 2026–1 Period, and the projection of the executed equivalent share volume for the CAT Fee 2026–1 Period. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Budgeted CAT Costs 2026–1

The formula for calculating a Fee Rate requires the amount of Budgeted CAT Costs to be recovered. Specifically, Section 11.3(a)(iii)(B) of the CAT NMS Plan requires a fee filing to provide:

the budget for the upcoming year (or remainder of the year, as applicable), including a brief description of each line item in the budget, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration, and (6) public relations costs, a reserve and/or such other categories as reasonably determined by the Operating Committee to be included in the budget, and the reason for changes in each such line item from the prior CAT fee filing.

In accordance with this requirement, FINRA has set forth the amount and type of Budgeted CAT Costs 2026–1 for each of the categories above.

Section 11.3(a)(iii)(B) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the budget for the upcoming year, or part of year, as applicable, is reasonable and appropriate.” As discussed below, FINRA believes that the budget for the CAT Fee 2026–1 Period is “reasonable and appropriate.” Each of the costs included in CAT Fee 2026–1 is reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm's length basis, and/or is consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover budgeted costs related to cloud hosting services as a part of CAT Fees.¹²² CAT LLC determined that the budgeted costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volumes far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.¹²³ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the

¹²² See Section 11.3(a)(iii)(B)(1) of the CAT NMS Plan.

¹²³ For a discussion of the amount and type of cloud hosting services fees, see Item II.A.1(2)(C)(i) above.

¹¹⁹ See *supra* note 118.

¹²⁰ See CAT Funding Model Approval Order, 91 FR 13410, 13481.

¹²¹ See *supra* note 120.

CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day¹²⁴ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.¹²⁵ In contrast to the 2016 projections, the actual daily Q3 2025 data volumes averaged 792 billion events per day.

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and amendments to the CAT NMS Plan to reduce costs, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational

and security criteria. Over time, more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.¹²⁶

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to operating fees as a part of CAT Fees.¹²⁷ CAT LLC determined that the budgeted costs related to operating fees described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1.

The operating fees would include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.¹²⁸ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.¹²⁹ The services to be performed by FCAT for CAT Fee 2026–

1 Period and the budgeted costs related to such services are described above.¹³⁰

The operating costs also include costs related to the receipt of market data. CAT LLC anticipates receiving certain market data from Algoseek during the CAT Fee 2026–1 Period. CAT LLC anticipates that Algoseek will provide data as set forth in the SIP Data requirements of the CAT NMS Plan and that the fees are reasonable and in line with market rates for market data received.¹³¹

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to CAIS operating fees as a part of CAT Fees.¹³² CAT LLC determined that the budgeted costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. The CAIS operating fees would include the fees paid to the Plan Processor to operate and maintain the Reference Database and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the fees for FCAT's services related to the Reference Database, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, are reasonable and appropriate.¹³³ The services to be performed by FCAT for the CAT Fee 2026–1 Period and the budgeted costs for such services are described above.¹³⁴

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to change request fees as a part of CAT Fees.¹³⁵ CAT LLC determined that the budgeted costs related to change request fees described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. It is common practice to utilize a change request process to address

¹²⁶ See Securities Exchange Act Release No. 97151 (March 15, 2023), 88 FR 17086, 17117 (March 21, 2023) (describing key cost discipline mechanisms for the CAT).

¹²⁷ See Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁸ See Item II.A.1(2)(C)(ii) above.

¹²⁹ See *supra* note 128.

¹³⁰ See *supra* note 128.

¹³¹ See *supra* note 128.

¹³² See Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³³ See Item II.A.1(2)(C)(iii) above.

¹³⁴ See *supra* note 133.

¹³⁵ See Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹²⁴ See Section 1.3 of Appendix D–4 of the CAT NMS Plan at n.262.

¹²⁵ See CAT NMS Plan Approval Order, 81 FR 84696, 84801.

evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC forecasts that the change requests will be necessary to implement the CAT. As described above,¹³⁶ CAT LLC determined that it was reasonable not to include any change request fees in the Budgeted CAT Costs 2026–1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to capitalized developed technology costs as a part of CAT Fees.¹³⁷ In general, capitalized developed technology costs would include costs related to, for example, certain development costs, costs related to certain modifications, upgrades and other changes to the CAT and license fees. The amount and type of budgeted capitalized developed technology costs for the CAT Fee 2026–1 Period, which relate to the software license fee and technology changes to be implemented by FCAT, are described in more detail above.¹³⁸

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted costs related to legal fees as a part of CAT Fees.¹³⁹ CAT LLC determined that the budgeted legal costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory, contractual and other issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the proposed legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. CAT LLC determined to hire and continue to use each law firm based on a variety of factors, including their relevant expertise and fees. In each case, CAT LLC determined that the fee rates

were in line with market rates for specialized legal expertise. In addition, CAT LLC determined that the budgeted costs for the legal projects were appropriate given the breadth of the services provided. The services to be performed by each law firm for the CAT Fee 2026–1 Period and the budgeted costs related to such services are described above.¹⁴⁰

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted consulting costs as a part of CAT Fees.¹⁴¹ CAT LLC determined that the budgeted consulting costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees¹⁴² and because of the significant number of issues associated with the CAT, the consultants are budgeted to provide assistance in the management of various CAT matters and the processes related to such matters.¹⁴³ CAT LLC determined the budgeted consulting costs were appropriate, as the consulting services were to be provided at reasonable market rates that were comparable to the rates charged by other consulting firms for similar work. Moreover, the total budgeted costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services budgeted to be performed by Deloitte and the budgeted costs related to such services are described above.¹⁴⁴

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted insurance costs as a part of CAT Fees.¹⁴⁵ CAT LLC determined that the budgeted insurance costs described in this filing are reasonable and should be included as a part of the Budgeted CAT Costs 2026–1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security

insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."¹⁴⁶ As discussed above,¹⁴⁷ CAT LLC determined that the budgeted insurance costs were appropriate given its prior experience with this market and an analysis of the alternative insurance offerings. Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.¹⁴⁸

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted professional and administration costs as a part of CAT Fees.¹⁴⁹ CAT LLC determined that the budgeted professional and administration costs described in this filing are reasonable and should be included as a part of Budgeted CAT Costs 2026–1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates. The services performed by Anchin and Grant Thornton and the costs related to such services are described above.¹⁵⁰

CAT LLC anticipates continuing to make use of Anchin, a financial advisory firm, to assist with financial matters for the CAT. CAT LLC determined that the budgeted costs for Anchin were appropriate, as the financial advisory services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such financial advisory services were appropriate in light of the breadth of services provided by Anchin. The services budgeted to be performed by Anchin and the budgeted costs related to such services are described above.¹⁵¹

CAT LLC anticipates continuing to make use of Grant Thornton, an independent accounting firm, to complete the audit of CAT LLC's financial statements, in accordance with

¹⁴⁰ See Item II.A.1(2)(C)(vi) above.

¹⁴¹ See Section 11.3(a)(iii)(B)(B)(3) of the CAT NMS Plan.

¹⁴² As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." See Securities Exchange Act Release No. 77724 (April 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

¹⁴³ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

¹⁴⁴ See Item II.A.1(2)(C)(vii) above.

¹⁴⁵ See Section 11.3(a)(iii)(B)(B)(4) of the CAT NMS Plan.

¹⁴⁶ See Section 4.1.5 of Appendix D of the CAT NMS Plan.

¹⁴⁷ See Item II.A.1(2)(C)(viii) above.

¹⁴⁸ See *supra* note 147.

¹⁴⁹ See Section 11.3(a)(iii)(B)(B)(5) of the CAT NMS Plan.

¹⁵⁰ See Item II.A.1(2)(C)(ix) above.

¹⁵¹ See *supra* note 150.

¹³⁶ See Item II.A.1(2)(C)(iv) above.

¹³⁷ See Section 11.3(a)(iii)(B)(B)(1) of the CAT NMS Plan.

¹³⁸ See Item II.A.1(2)(C)(v) above.

¹³⁹ See Section 11.3(a)(iii)(B)(B)(2) of the CAT NMS Plan.

the requirements of the CAT NMS Plan. CAT LLC determined that the budgeted costs for Grant Thornton were appropriate, as the accounting services were to be provided at reasonable market rates that were comparable to the rates charged by other such firms for similar work. Moreover, the total budgeted costs for such accounting services were appropriate in light of the breadth of services provided by Grant Thornton. The services budgeted to be performed by Grant Thornton and the budgeted costs related to such services are described above.¹⁵²

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted public relations costs as a part of CAT Fees.¹⁵³ However, as described above,¹⁵⁴ CAT LLC determined not to include any public relations costs in Budgeted CAT Costs 2026–1. CAT LLC determined that it was reasonable not to include any public relations costs in the Budgeted CAT Costs 2026–1.

(xi) Interest Income

Section 11.1(a) of the CAT NMS Plan requires the CAT budget to include “the sources of all revenues to cover costs.” Accordingly, the Updated 2026 CAT Budget includes a line item for interest income. Specifically, the Updated 2026 CAT Budget includes \$1,453,382 in interest income for the CAT Fee 2026–1 Period.¹⁵⁵ CAT LLC determined that using interest income to reduce the amount to be collected via CAT Fees is reasonable and should be included as a part of the Budgeted CAT Costs 2026–1.

(xii) Reserve

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover budgeted reserve costs as a part of CAT Fees.¹⁵⁶ CAT LLC determined that the reserve in the amount of 25% of the Updated 2026 CAT Budget (other than the reserve) complies with the requirements of the CAT NMS Plan related to a reserve, is a reasonable amount, and, therefore, should be included as a part of the Updated 2026 CAT Budget.

In its approval order for the CAT Funding Model, the Commission stated that it would be appropriate for the

annual operating budget for the CAT to “include a reserve of not more than 25% of the annual budget.”¹⁵⁷ In making this statement, the Commission noted the following:

Because the CAT is a critical regulatory tool/system, the CAT needs to have a stable funding source to build financial stability to support the Company as a going concern. Funding for the CAT, as noted in Section 11.1(b), is the responsibility of the Participants and the industry. Because CAT fees are charged based on the budget, which is based on anticipated volume, it is appropriate to have a reserve on hand to prevent a shortfall in the event there is an unexpectedly high volume in a given year. A reserve would help to assure that the CAT has sufficient resources to cover costs should there be unanticipated costs or costs that are higher than expected.¹⁵⁸

The SEC also recognized that a reserve would help address the difficulty in predicting certain variable CAT costs, like trading volume.¹⁵⁹ The SEC also recognized that CAT fees will be collected approximately three months after trading activity on which a CAT fee is based, or 25% of the year, and that the reserve would be available to address funding needs related to this three-month delay.¹⁶⁰ The inclusion of the proposed reserve in the Updated 2026 CAT Budget would provide each of these benefits to the CAT. The reserve is discussed further above.¹⁶¹

As discussed further below,¹⁶² however, a surplus reserve balance in excess of the budgeted 25% reserve has been collected as of the beginning of the year of 2026. Accordingly, the Updated 2026 CAT Budget indicates that this surplus would be used to offset a portion of CAT costs for the CAT Fee 2026–1 Period, thereby reducing the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share). If the fee rate for CAT Fee 2026–1 were calculated solely based on the reasonably budgeted costs for CAT for May–December 2026, excluding the reduction in that amount due to the surplus reserve offset, the fee rate would be \$0.000010 per executed equivalent share.

(B) Reconciliation of Budget to the Collected Fees

The CAT NMS Plan also requires fee filings for Prospective CAT Fees to include “a discussion of how the budget is reconciled to the collected fees.”¹⁶³

As discussed above,¹⁶⁴ this reserve balance of \$102,391,135 collected via prior CAT Fees would be used to offset a portion of CAT costs for CAT Fee Period 2026–1, thereby reducing the fee rate to be paid for CAT Fee 2026–1. Specifically, the total costs (including the 25% reserve) for CAT Fee 2026–1 of \$117,540,783 would be reduced by the \$102,391,135 in reserve. Therefore, the Total Budgeted CAT Costs 2026–1 would be \$15,149,648. Such surplus reserve balance would be used to reduce the fee rate for CAT Fee 2026–1 (\$0.000001 per executed equivalent share).

(C) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it counts executed equivalent shares for CAT billing purposes.¹⁶⁵

(D) Projected Executed Equivalent Share Volume for the CAT Fee 2026–1 Period

CAT LLC has determined that the projected total executed equivalent share volume for the eight months of the CAT Fee 2026–1 Period by multiplying by 8/12ths the executed equivalent share volume for the prior twelve months: 8/12 times 5,980,937,549,360.49 executed equivalent shares.¹⁶⁶ The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.41), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level.

(E) Actual Fee Rate for CAT Fee 2026–1

(i) Decimal Places

As noted in the approval order for the CAT Funding Model, as a practical matter, the fee filing for a CAT Fee would provide the exact fee per executed equivalent share to be paid for each CAT Fee, by multiplying the Fee Rate by one-third and describing the

¹⁵² See *supra* note 150.

¹⁵³ See Section 11.3(a)(iii)(B)(B)(6) of the CAT NMS Plan.

¹⁵⁴ See Item II.A.1(2)(C)(x) above.

¹⁵⁵ See chart entitled “Budgeted CAT Costs 2026–1” in Item II.A.1(2)(C) above.

¹⁵⁶ See Section 11.3(a)(iii)(B)(B) of the CAT NMS Plan.

¹⁵⁷ See CAT Funding Model Approval Order, 91 FR 13410, 13444.

¹⁵⁸ See *supra* note 157.

¹⁵⁹ See *supra* note 157.

¹⁶⁰ See *supra* note 157.

¹⁶¹ See Item II.A.1(2)(C)(xii) above.

¹⁶² See Item II.A.2(2)(B) below.

¹⁶³ See Section 11.3(a)(iii)(B)(C) of the CAT NMS Plan.

¹⁶⁴ See Item II.A.1(2)(C)(xii) above.

¹⁶⁵ See Item II.A.1(2)(D) above.

¹⁶⁶ See *supra* note 165.

relevant number of decimal places for the fee rate.¹⁶⁷ Accordingly, proposed paragraph (a)(1)(F)(ii) of Rule 6897 would set forth a fee rate of \$0.000001 per executed equivalent share. This fee rate is calculated by multiplying Fee Rate 2026–1 by one-third and rounding the result to six decimal places. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.¹⁶⁸

(ii) Reasonable Fee Level

FINRA believes that charging CAT Fee 2026–1 with a fee rate of \$0.000001 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the Budgeted CAT Costs 2026–1. Moreover, FINRA believes that the level of the fee rate is reasonable in that it is calculated in accordance with the SEC-approved CAT Funding Model, it is less than CAT Fee 2025–2 and is comparable to other transaction-based fees, including fees assessed pursuant to Section 31.¹⁶⁹ As a result, the magnitude of CAT Fee 2026–1 is small, and therefore will mitigate any potential adverse economic effects or inefficiencies.¹⁷⁰

(3) CAT Fee 2026–1 Provides for an Equitable Allocation of Fees

CAT Fee 2026–1 provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members, in accordance with the SEC-approved CAT Funding Model. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating CAT Fees as well as the Industry Members to be charged the CAT Fees.¹⁷¹ In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate and meets the Rule 608(b) approval standard.”¹⁷² Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related

to Budgeted CAT Costs among Participants and Industry Members, and the fee filings for CAT Fees must comply with those requirements.

CAT Fee 2026–1 provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. For example, as described above, the calculation of CAT Fee 2026–1 complies with the formula set forth in Section 11.3(a) of the CAT NMS Plan. In addition, CAT Fee 2026–1 would be charged to CEBBs and CEBBs in accordance with Section 11.3(a) of the CAT NMS Plan. Furthermore, the Participants would be charged for their designated share of the Budgeted CAT Costs 2026–1 through a fee implemented via the CAT NMS Plan, which would have the same fee rate as CAT Fee 2026–1.

In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1—the Budgeted CAT Costs 2026–1, the count for the executed equivalent share volume for the prior 12 months, and the projected executed equivalent share volume for the CAT Fee 2026–1 Period—is reasonable. Moreover, these inputs lead to a fee rate for CAT Fee 2026–1 that is reasonable as it is consistent with the SEC-approved CAT Funding Model and is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) CAT Fee 2026–1 is Not Unfairly Discriminatory

CAT Fee 2026–1 is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfies the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of CAT Fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. CAT Fee 2026–1 complies with the requirements regarding the calculation of CAT Fees as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of CAT Fee 2026–1 and the resulting fee rate for

CAT Fee 2026–1 is reasonable, consistent with the SEC-approved CAT Funding Model. Therefore, CAT Fee 2026–1 does not impose an unfairly discriminatory fee on Industry Members.

FINRA believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and with specificity in proposed paragraph (a)(1)(F) of Rule 6897. FINRA also believes that the proposed fees are reasonable in that they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on a fixed rate per executed equivalent share and are consistent with the SEC-approved CAT Funding Model. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Industry Members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

Section 15A(b)(9) of the Act¹⁷³ requires that FINRA rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. FINRA notes that CAT Fee 2026–1 implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist FINRA in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce CAT Fee 2026–1 on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.¹⁷⁴ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on

¹⁶⁷ See CAT Funding Model Approval Order, 91 FR 13410, 13445, n.677.

¹⁶⁸ See Item II.A.1(4)(A) above.

¹⁶⁹ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. See CAT Funding Model Approval Order, 91 FR 13410, 13469.

¹⁷⁰ See *supra* note 169.

¹⁷¹ See Section 11.3(a) of the CAT NMS Plan.

¹⁷² See CAT Funding Model Approval Order, 91 FR 13410, 13412.

¹⁷³ 15 U.S.C. 78o–3(b)(9).

¹⁷⁴ See CAT Funding Model Approval Order, 91 FR 13410, 13457–81.

affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. CAT Fee 2026–1 is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of CAT Fee 2026–1 is reasonable and the resulting fee rate for CAT Fee 2026–1 calculated in accordance with the CAT Funding Model is reasonable. Therefore, CAT Fee 2026–1 would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act¹⁷⁵ and paragraph (f)(2) of Rule 19b–4 thereunder.¹⁷⁶ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–FINRA–2026–010 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to file number SR–FINRA–2026–010. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–FINRA–2026–010 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁷⁷

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2026–09732 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105465; File No. SR–NASDAQ–2026–043]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Amend Options 7, Section 1

May 12, 2026.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 30, 2026, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission

(“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend The Nasdaq Options Market LLC (“NOM”) Pricing Schedule in connection with a technology migration.

While the changes proposed herein are effective upon filing, the Exchange has designated that the amendments will become operative on July 27, 2026.

The text of the proposed rule change is available on the Exchange's website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

NOM proposes to amend Options 7, Section 1, General Provisions, to define the terms “Exposed Order” and “Lead Market Maker.” Both terms are being introduced into NOM's Rules in connection with a technology migration commencing July 27, 2026.³

Exposed Order

As part of this technology migration, NOM introduced the concept of an Exposed Order in Options 5, Section 4, Routing.⁴ “Exposure” or “exposing” an order means a notification sent to Participants with the price, size, and side of interest that is available for execution.⁵ Exposure applies to both

¹⁷⁷ 17 CFR 200.30–3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ See <https://www.nasdaqtrader.com/MicroNews.aspx?id=OTU2026-2>.

⁴ See SR–NASDAQ–2026–039 (not yet noticed).

⁵ See *id.*

¹⁷⁵ 15 U.S.C. 78s(b)(3)(A).

¹⁷⁶ 17 CFR 240.19b–4(f)(2).

routed orders and non-routed or “DNR Orders.” The order exposure process permits the Exchange to apply a Route Timer⁶ prior to the initial and any subsequent routing of an order and allows routing of the order after exposure occurs (during open trading) every time an order becomes marketable against the ABBO.⁷

At this time, the Exchange proposes to amend Options 7, Section 1(c) to provide,

An “Exposed Order” is an order that is broadcast via an order exposure alert as described within Options 5, Section 4 (Order Routing). Unless otherwise noted in Options 7, Section 2 pricing, Exposed Orders will be assessed the applicable “Taker” Fee and any order or quote that executes against an Exposed Order during a Route Timer will be paid/assessed the applicable “Maker” Rebate/Fee.

As proposed, the defined term would apply a Taker Fee, where applicable, to an executed Exposed Order. If an order or quote is allocated against the Exposed Order during the Route Timer described in Options 5, Section 4, the Exchange would pay or assess the applicable Maker Rebate or Maker Fee. The Exchange believes that the proposal will provide increased opportunities for participation in executions on the Exchange, facilitate the Exchange’s ability to bring together Participants, and encourage more robust competition for orders.

Lead Market Maker

At this time, the Exchange also proposes to define a Lead Market Maker. The concept of a Lead Market Maker was introduced in a recent rule change.⁸ The Exchange proposes to state at Options 7, Section 1(c),

The term “Lead Market Maker” or (“LMM”) applies to a registered NOM Market Maker that is approved pursuant to Options 2, Section 3 to be the LMM in an options class (options classes).

The Exchange is introducing this term at this time to distinguish between a Market Maker and Lead Market Maker for purposes of pricing that will be introduced in subsequent rule proposals.

2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,⁹ in general, and furthers the objectives of Sections 6(b)(4) and 6(b)(5)

of the Act,¹⁰ in particular, in that it provides for the equitable allocation of reasonable dues, fees, and other charges among members and issuers and other persons using any facility, and is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The proposed changes to the Pricing Schedule are reasonable in several respects. As a threshold matter, the Exchange is subject to significant competitive forces in the market for order flow, which constrains its pricing determinations. The fact that the market for order flow is competitive has long been recognized by the courts. In *NetCoalition v. Securities and Exchange Commission*, the D.C. Circuit stated, “[n]o one disputes that competition for order flow is ‘fierce.’ . . . As the SEC explained, ‘[i]n the U.S. national market system, buyers and sellers of securities, and the broker-dealers that act as their order-routing agents, have a wide range of choices of where to route orders for execution’; [and] ‘no exchange can afford to take its market share percentages for granted’ because ‘no exchange possesses a monopoly, regulatory or otherwise, in the execution of order flow from broker dealers’ . . . ”¹¹

The Commission and the courts have repeatedly expressed their preference for competition over regulatory intervention to determine prices, products, and services in the securities markets. In Regulation NMS, while adopting a series of steps to improve the current market model, the Commission highlighted the importance of market forces in determining prices and SRO revenues, and also recognized that current regulation of the market system “has been remarkably successful in promoting market competition in its broader forms that are most important to investors and listed companies.”¹²

Congress directed the Commission to “rely on ‘competition, whenever possible, in meeting its regulatory responsibilities for overseeing the SROs and the national market system.’ ”¹³ As a result, the Commission has historically relied on competitive forces

to determine whether a fee proposal is equitable, fair, reasonable, and not unreasonably or unfairly discriminatory. “If competitive forces are operative, the self-interest of the exchanges themselves will work powerfully to constrain unreasonable or unfair behavior.”¹⁴

Accordingly, “the existence of significant competition provides a substantial basis for finding that the terms of an exchange’s fee proposal are equitable, fair, reasonable, and not unreasonably or unfairly discriminatory.”¹⁵

Exposed Order

The Exchange’s proposal to define an Exposed Order for purposes of pricing in Options 7, Section 1(c) is reasonable because it will provide inform Participants how pricing will be applied to both the Exposed Order and any order or quote that allocates against the Exposed Order. As proposed, the applicable Taker Fee would apply to an executed Exposed Order, and the applicable Maker Rebate or Maker Fee would apply to an order or quote that is allocated against the Exposed Order during the Route Timer. The Exchange believes that the proposed pricing will provide increased opportunities for participation in executions on the Exchange, facilitate the Exchange’s ability to bring together Participants, and encourage more robust competition for orders. Order exposure has the potential to result in more efficient executions for Participants, because responses to Exposed Orders may produce faster executions. Order exposure also ensures that Exposed Orders will receive executions only at a price at least as favorable as the price disseminated by the best away market at the time the order was received. Further, the Exchange believes that it is reasonable, equitable and not unfairly discriminatory to apply the Taker Fee to Exposed Orders and the Maker Rebate or Maker Fee to any order or quote that executes against an Exposed Order during a Route Timer. An Exposed Order that would route to an away market if not otherwise executed on NOM takes liquidity from the Exchange’s order book while a quote or order that executes against the Exposed Order during the Route Timer is making liquidity in response to the notification sent to Participants indicating that the order is available for execution. Nasdaq Texas, LLC similarly assesses a Taker Fee on an exposed order and pays or

¹⁰ See 15 U.S.C. 78f(b)(4) and (5).

¹¹ See *NetCoalition*, 615 F.3d at 539 (D.C. Cir. 2010) (quoting Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74770, 74782–83 (December 9, 2008) (SR–NYSEArca–2006–21)).

¹² See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37499 (June 29, 2005) (“Regulation NMS Adopting Release”).

¹³ See *NetCoalition*, 615 F.3d at 534–35; see also H.R. Rep. No. 94–229 at 92 (1975) (“[I]t is the intent of the conferees that the national market system evolve through the interplay of competitive forces as unnecessary regulatory restrictions are removed.”).

¹⁴ See Securities Exchange Act Release No. 59039 (December 2, 2008), 73 FR 74,770 (December 9, 2008) (SR–NYSEArca–2006–21).

¹⁵ See *id.*

⁶ For purposes of Options 5, Section 4, a Route Timer shall not exceed one second and shall begin at the time orders are accepted into the System, and the System will consider whether an order can be routed at the conclusion of each Route Timer.

⁷ See *supra* note 4.

⁸ See *supra* note 4.

⁹ See 15 U.S.C. 78f(b).

assesses a Maker Rebate or Maker Fee to any order or quote that executes against the exposed order during the Route Timer.¹⁶

The Exchange's proposal to define an Exposed Order for purposes of pricing in Options 7, Section 1(c) is equitable and not unfairly discriminatory because the proposed pricing for Exposed Orders would be applied uniformly to all orders subject to the Exchange's Route Timer, as described in Options 5, Section 4.

Lead Market Maker

The Exchange's proposal to define a Lead Market Maker at Options 7, Section 1(c) is reasonable because the defined term will distinguish a Market Maker from a Lead Market Maker for purposes of pricing.

The Exchange's proposal to define a Lead Market Maker for purposes of pricing in Options 7, Section 1(c) is equitable and not unfairly discriminatory because all Lead Market Makers would be uniformly subject to pricing applicable to Lead Market Makers which pricing may be distinguishable from the pricing applicable to Market Makers, as noted in the Pricing Schedule.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

Intermarket Competition

The Exchange believes its proposal remains competitive with other options markets and will offer market participants another choice of venue to transact options. The Exchange notes that it operates in a highly competitive market in which market participants can readily favor competing venues if they deem fee levels at a particular venue to be excessive, or rebate opportunities available at other venues to be more favorable. Because competitors are free to modify their own fees in response, and because market participants may readily adjust their order routing practices, the Exchange believes that the degree to which fee changes in this market may impose any burden on competition is extremely limited.

Intramarket Competition

The Exchange's proposal to define an Exposed Order for purposes of pricing in Options 7, Section 1(c) does not impose an undue burden on

competition because the proposed pricing for Exposed Orders would be applied uniformly to all orders subject to the Exchange's Route Timer, as described in Options 5, Section 4.

The Exchange's proposal to define a Lead Market Maker for purposes of pricing in Options 7, Section 1(c) does not impose an undue burden on competition because all Lead Market Makers would be uniformly subject to pricing applicable to Lead Market Makers, which pricing may be distinguishable from the pricing applicable to Market Makers, as noted in the Pricing Schedule.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.¹⁷

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-NASDAQ-2026-043 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-NASDAQ-2026-043. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to file number SR-NASDAQ-2026-043 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹⁸

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026-09744 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

SECURITIES AND EXCHANGE COMMISSION

[OMB Control No. 3235-0049]

Agency Information Collection Activities; Proposed Collection; Comment Request; Extension: Form ADV

Upon Written Request, Copies Available From: Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) ("PRA"), the Securities and Exchange Commission (the "SEC" or "Commission") is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

The title for the collection of information is "Form ADV" (17 CFR 279.1). Form ADV is the investment adviser registration form and exempt reporting adviser reporting form filed electronically with the Commission pursuant to rules 203-1 (17 CFR 275.203-1), 204-1 (17 CFR 275.204-1)

¹⁶ See NTX Options at Options 7, Section 1(c).

¹⁷ 15 U.S.C. 78s(b)(3)(A)(ii).

¹⁸ 17 CFR 200.30-3(a)(12).

and 204–4 (17 CFR 275.204–4) under the Investment Advisers Act of 1940 (15 U.S.C. 80b–1 *et seq.*) (“Advisers Act”) by advisers registered with the Commission or applying for registration with the Commission or by exempt reporting advisers filing reports with the Commission. The information collected takes the form of disclosures to the adviser’s clients and potential clients. The purpose of this collection of information is to provide advisory clients, prospective clients, and the Commission with information about the adviser, its business, its conflicts of interest and personnel. Clients and prospective clients use certain of the information to determine whether to hire an adviser and, if hired, how to manage that relationship.

The information collected provides the Commission with knowledge about the adviser, its business, its conflicts of interest and personnel. The Commission uses the information to determine eligibility for registration with the Commission and to manage its regulatory, examination, and enforcement programs. Part 1 of Form ADV contains information used primarily by the Commission staff and Part 2 is the client brochure. Part 3 requires registered investment advisers that offer services to retail investors to prepare and file with the Commission a relationship summary.

The Commission recently updated the data sources and methodology that it generally uses for calculating occupational hourly rates that are used in estimating certain PRA burdens.¹

¹ To calculate the occupational hourly rates, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (“OEWS”) program of the Bureau of Labor Statistics (“BLS”) for “Securities, Commodity Contracts, and Other Financial Investments and Related Activities” (“NAICS 523”); see Occupational Employment and Wage Statistics, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>; see also Standard Occupational Classification, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/soc/> (describing occupational classification system used by BLS); EXEC. OFF. OF THE PRESIDENT, OFF. OF MGMT. & BUDGET, NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (2022), available at https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry classification system used by BLS and other agencies); the mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. See Employment Cost Index, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/eci/>; the adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead; this factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis’s annual gross output data for NAICS 523 to total annual wages

Respondents to this information collection are investment advisers registered with the Commission or applying for registration with the Commission and exempt reporting advisers. Our latest data indicate that there were approximately 16,442 advisers registered with the Commission, 6,389 exempt reporting advisers as of December 31, 2025. The Commission has estimated that the total annual reporting and recordkeeping burden of the collection of information for each respondent is 10.85 hours. Based on this figure, the Commission estimates a total annual burden of 251,851.53 hours for this collection of information.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number.

Written comments are invited on: (a) whether this proposed collection of information is necessary for the proper performance of the functions of the SEC, including whether the information will have practical utility; (b) the accuracy of the SEC’s estimate of the burden imposed by the proposed collection of information, including the validity of the methodology and the assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated, electronic collection techniques or other forms of information technology.

Please direct your written comments on this 60-Day Collection Notice to Austin Gerig, Director/Chief Data Officer, Securities and Exchange Commission, c/o Tanya Ruttenberg via email to PaperworkReductionAct@sec.gov by July 14, 2026. There will be a second opportunity to comment on this SEC request following the **Federal Register** publishing a 30-Day Submission Notice.

Dated: May 12, 2026.

Vanessa A. Countryman,
Secretary.

[FR Doc. 2026–09750 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

across all occupations for NAICS 523 in the OEWS data. See Gross Output by Industry, U.S. BUREAU OF ECONOMIC ANALYSIS, <https://www.bea.gov/data/industries/gross-output-by-industry>; Occupational Employment and Wage Statistics, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>; the final product is the occupational hourly rate; see generally UPDATED METHODOLOGY FOR CALCULATING OCCUPATIONAL HOURLY RATES (Dec. 19, 2025), available at <https://www.sec.gov/files/method-occupational-hourly-rates.pdf>.

DEPARTMENT OF STATE

[Public Notice: 13017]

Notice of Department of State Sanctions Action

ACTION: Notice of Department of State Sanctions Action Pursuant to the Executive Order Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation.

SUMMARY: The U.S. Department of State is publishing the name of a person who has been removed from the Department of the Treasury’s List of Specially Designated Nationals and Blocked Persons (SDN List), administered by the Office of Foreign Assets Control (OFAC).

DATES: This action was issued on January 8, 2026. See **SUPPLEMENTARY INFORMATION** section for applicable dates.

FOR FURTHER INFORMATION CONTACT: Aaron P. Forsberg, Director, Office of Economic Sanctions Policy and Implementation, Bureau of Economic and Business Affairs, Department of State, Washington, DC 20520, tel.: (202) 647–7677, email: ForsbergAP@state.gov

SUPPLEMENTARY INFORMATION:

Electronic Availability

The SDN List and additional information concerning sanctions programs are available on OFAC’s website, <https://ofac.treasury.gov/sanctions-programs-and-country-information/russian-harmful-foreign-activities-sanctions>.

Notice Of Department of State Actions

On January 8, 2026, the Department of State determined that the property and interests in property subject to U.S. jurisdiction of the following person are unblocked, and that person has been removed from the SDN List.

Individual

1. KAMPERI, Kyriaki Demetriou; (Greek: ΚΑΜΠΙΕΡΗ, Κυριακή Δημητρίου) (a.k.a KAMPERI, Koulla Demetriou) (a.k.a KAMPERI, Kyriakou Demetriou), 35 Grosvenor Street, 1st Floor Offices, London W1K 4QX, United Kingdom; Ledra Business Centre, 1 Poseidonos Street, Egkomi Nicosias 2406, Cyprus; Ledra House, 15 Agiou Pavlou, Nicosia 1105, Cyprus; DOB 1 Jan 1971 to 31 Jan 1971; nationality Cyprus; Gender Female; Secondary sanctions risk: See

Section 11 of Executive Order 14024.
(individual) [RUSSIA–EO14024]

Hugo Y. Yon,

*Principal Deputy Assistant Secretary, Bureau
of Economic, Energy, and Business Affairs,
U.S. Department of State.*

[FR Doc. 2026–09761 Filed 5–14–26; 8:45 am]

BILLING CODE 4710–07–P

DEPARTMENT OF STATE

[Public Notice: 13011]

Notice of Determinations; Culturally Significant Objects Being Imported for Exhibition—Determinations: “Tarot! Renaissance Roots, Modern Visions” Exhibition

SUMMARY: Notice is hereby given of the following determinations: I hereby determine that certain objects being imported from abroad pursuant to agreements with their foreign owners or custodians for temporary display in the exhibition “Tarot! Renaissance Roots, Modern Visions” at The Morgan Library & Museum, New York, New York, and at possible additional exhibitions or venues yet to be determined, are of cultural significance, and, further, that their temporary exhibition or display within the United States as aforementioned is in the national interest. I have ordered that Public Notice of these determinations be published in the **Federal Register**.

FOR FURTHER INFORMATION CONTACT:

Reed Liriano, Program Coordinator, Office of the Legal Adviser, U.S. Department of State (telephone: 202–632–6471; email: section2459@state.gov). The mailing address is U.S. Department of State, L/PD, 2200 C Street NW (SA–5), Suite 5H03, Washington, DC 20522–0505.

SUPPLEMENTARY INFORMATION: The foregoing determinations were made pursuant to the authority vested in me by the Act of October 19, 1965 (79 Stat. 985; 22 U.S.C. 2459), Executive Order 12047 of March 27, 1978, the Foreign Affairs Reform and Restructuring Act of 1998 (112 Stat. 2681, *et seq.*; 22 U.S.C. 6501 note, *et seq.*), Delegation of Authority No. 234 of October 1, 1999, Delegation of Authority No. 236–3 of August 28, 2000, and Delegation of Authority No. 523 of December 22, 2021.

Sherry C. Keneson-Hall,

*Principal Deputy Assistant Secretary for
Educational and Cultural Affairs, Bureau of
Educational and Cultural Affairs, Department
of State.*

[FR Doc. 2026–09768 Filed 5–14–26; 8:45 am]

BILLING CODE 4710–05–P

DEPARTMENT OF STATE

[Public Notice: 13004]

Determination Under Subsection 402(d)(1) of the Trade Act of 1974, As Amended Extension of Waiver Authority

Pursuant to the authority vested in the President under the Trade Act of 1974, as amended, Public Law 93–618, 88 Stat. 1978 (hereinafter “the Act”), and assigned to the Secretary of State by virtue of Section 1(a) of Executive Order 13346 of July 8, 2004, and delegated by Department of State Delegation of Authority 513, of April 7, 2021, I determine, pursuant to Section 402(d)(1) of the Act, 19 U.S.C. 2432(d)(1), that the further extension of the waiver authority granted by Section 402 of the Act will substantially promote the objectives of Section 402 of the Act. I further determine that continuation of the waiver applicable to Turkmenistan will substantially promote the objectives of Section 402 of the Act.

This Determination shall be published in the **Federal Register**.

Christopher T. Landau,

*Deputy Secretary of State, U.S. Department
of State.*

[FR Doc. 2026–09795 Filed 5–14–26; 8:45 am]

BILLING CODE 4710–30–P

DEPARTMENT OF STATE

[Public Notice: 13016]

Notice of Department of State Sanctions Action

ACTION: Notice of Department of State Sanctions Action Pursuant to the Executive Order Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation.

SUMMARY: The U.S. Department of State is publishing the name of one person who has been removed from the Department of the Treasury’s List of Specially Designated Nationals and Blocked Persons (SDN List), administered by the Office of Foreign Assets Control (OFAC).

DATES: This action was issued on October 9, 2025. See **SUPPLEMENTARY INFORMATION** section for applicable dates.

FOR FURTHER INFORMATION CONTACT:

Aaron P. Forsberg, Director, Office of Economic Sanctions Policy and Implementation, Bureau of Economic and Business Affairs, Department of State, Washington, DC 20520, tel.: (202) 647–7677, email: ForsbergAP@state.gov

SUPPLEMENTARY INFORMATION:

Electronic Availability

The SDN List and additional information concerning sanctions programs are available on OFAC’s website, <https://ofac.treasury.gov/sanctions-programs-and-country-information/russian-harmful-foreign-activities-sanctions>.

Notice Of Department of State Actions

On October 9, 2025, the Department of State determined that the property and interests in property subject to U.S. jurisdiction of the following person are unblocked, and that person has been removed from the SDN List.

Entity

1. KUZHEY STAR SHIPYARD
DENIZCILIK SANAYI VE TICARET
ANONIM SIRKETI (a.k.a. KUZHEY STAR
SHIPYARD MARITIME INDUSTRY
AND TRADE INC; a.k.a. “NORTH STAR
SHIPYARD”), Tersaneler Caddesi
No:14, Evliya Celebi Mahallesi, Istanbul
34944, Turkey; Secondary sanctions
risk: See Section 11 of Executive Order
14024.; Organization Established Date
03 Sep 2013; Tax ID No. 6010476358
(Turkey); Registration Number 979160
(Turkey) [RUSSIA–EO14024] (Linked
To: FEDERAL STATE UNITARY
ENTERPRISE ATOMFLOT).

Hugo Y. Yon,

*Principal Deputy Assistant Secretary, Bureau
of Economic, Energy, and Business Affairs,
U.S. Department of State.*

[FR Doc. 2026–09760 Filed 5–14–26; 8:45 am]

BILLING CODE P

DEPARTMENT OF STATE

[Public Notice: 13015]

Bureau of Political-Military Affairs, Directorate of Defense Trade Controls: Notifications to the Congress of Proposed Commercial Export Licenses

AGENCY: Department of State.

ACTION: Notice.

SUMMARY: The Directorate of Defense Trade Controls and the Department of State give notice that the attached Notifications of Proposed Commercial Export Licenses were submitted to Congress on the dates indicated.

DATES: The dates of notification to Congress are shown on each of the 10 Letters.

FOR FURTHER INFORMATION CONTACT: Ms. Paula C. Harrison, Directorate of Defense Trade Controls (DDTC), Department of State at (202) 663–3310; or access the DDTC website at <https://>

www.pmdtdc.state.gov/ddtc public and select "Contact DDTC," then scroll down to "Contact the DDTC Response Team" and select "Email." Please add this subject line to your message, "ATTN: Congressional Notification of Licenses."

SUPPLEMENTARY INFORMATION: Section 36(f) of the Arms Export Control Act (22 U.S.C. 2776) requires that notifications to the Congress pursuant to sections 36(c) and 36(d) be published in the **Federal Register** in a timely manner.

The following comprise recent notifications and are published to give notice to the public.

November 14, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number: DDTC 25–070.

Pursuant to Section 36(d) of the Arms Export Control Act, please find enclosed a certification of a proposed license amendment for the export of defense articles, including technical data, and defense services for the manufacture of significant military equipment abroad.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to the United Kingdom to support the replication and incorporation of [. . .] electronic counter-counter measures into [. . .] radios for manufacturing and sales.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U. S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations

Sincerely,

Paul D. Guaglianone,

*Senior Bureau Official, Bureau of
Legislative Affairs.*

November 14, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number: DDTC 25–078.

Pursuant to Section 36(c) of the Arms Export Control Act, please find enclosed a certification of a proposed license for the export of firearms, parts, and components controlled under Category I of the U.S. Munitions List in the amount of \$1,000,000 or more.

The transaction contained in the attached certification involves the export of 5.56mm assault rifles to Mexico.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations

Sincerely,
Paul D. Guaglianone,
*Senior Bureau Official, Bureau of
Legislative Affairs.*

November 14, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number: DDTC 25–103.

Pursuant to Section 36(c) of the Arms Export Control Act, please find enclosed a certification of a proposed license for the export of defense articles, including technical data, and defense services in the amount of \$50,000,000 or more.

The transaction contained in the attached certification involves the proposed export of 155mm propulsion charges to Ukraine.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains

business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations

Sincerely,

Paul D. Guaglianone,
*Senior Bureau Official, Bureau of
Legislative Affairs.*

December 2, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number: DDTC 25–076.

Pursuant to Section 36(c) of the Arms Export Control Act, please find enclosed a certification of a proposed license for the export of firearms, parts, and components controlled under Category I of the U.S. Munitions List in the amount of \$1,000,000 or more.

The transaction contained in the attached certification involves the proposed export of 5.56mm select-fire carbines, 9mm select-fire submachine guns, and spare parts to Iraq.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations

Sincerely,

Paul D. Guaglianone,
*Senior Bureau Official, Bureau of
Legislative Affairs.*

December 15, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number: DDTC 25–028,

Pursuant to Sections 36(c) and 36(d) of the Arms Export Control Act, please find enclosed a certification of a

proposed license for the export of defense articles, including technical data, and defense services in the amount of \$50,000,000 or more and the manufacture of significant military equipment abroad.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to the Republic of Korea to support the manufacture of a trainer aircraft.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations
Sincerely,
Paul D. Guaglianone,
Senior Bureau Official, Bureau of
Legislative Affairs.

December 15, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number:
DDTC 25–036.

Pursuant to Section 36(c) and 36(d) of the Arms Export Control Act, please find enclosed a certification of a proposed license amendment for the export of defense articles, including technical data, and defense services in the amount of \$50,000,000 or more and the manufacture of significant military equipment abroad.

The transaction contained in the attached certification involves the export of defense articles, including technical data and defense services, to Poland to support the manufacture of helicopters.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause

competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations
Sincerely,
Paul D. Guaglianone,
Senior Bureau Official, Bureau of
Legislative Affairs.

December 15, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number:
DDTC 25–081.

Pursuant to Section 36(c) of the Arms Export Control Act, please find enclosed a certification of a proposed license for the export of defense articles, including technical data, and defense services in the amount of \$50,000,000 or more.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to Australia, Malaysia, and Singapore to support the testing, maintenance, and repair of parts and components for a gas turbine engine.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations
Sincerely,
Paul D. Guaglianone,
Senior Bureau Official, Bureau of
Legislative Affairs.

December 15, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number:
DDTC 25–088.

Pursuant to Section 36(c) of the Arms Export Control Act, please find enclosed a certification of a proposed license for the export of defense articles, including

technical data, and defense services in the amount of \$50,000,000 or more.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to the Republic of Korea, to support the manufacture of a 30mm weapon system.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations
Sincerely,
Paul D. Guaglianone,
Senior Bureau Official, Bureau of
Legislative Affairs.

December 15, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number:
DDTC 25–102.

Pursuant to Section 36(d) of the Arms Export Control Act, please find enclosed a certification of a proposed license for the export of defense articles, including technical data, and defense services for the manufacture of significant military equipment abroad.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to Canada to support the engineering, design, development, overhaul, production, manufacture, operation, maintenance, modification, upgrade, integration, installation, qualification, training, troubleshooting, testing, customer support, repair and rework of the program mission computer subsystems.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant,

publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations

Sincerely,

Paul D. Guaglianone,
*Senior Bureau Official, Bureau of
Legislative Affairs.*

December 18, 2025

Congressional Notification Transmittal Letter

Please find enclosed the following notification from the Department of State.

Department Notification Number:
DDTC 25-067

Pursuant to Section 36(c) of the Arms Export Control Act, please find enclosed a certification of a proposed license amendment for the export of defense articles, including technical data, and defense services in the amount of \$100,000,000 or more.

The transaction contained in the attached certification involves the export of defense articles, including technical data, and defense services to Luxembourg to support the maintenance, update, upgrade, modification and enhancement activities for Unmanned Aerial Systems.

The U.S. government is prepared to license the export of these items having taken into account political, military, economic, human rights, and arms control considerations.

More detailed information is contained in the formal certification which, though unclassified, contains business information submitted to the Department of State by the applicant, publication of which could cause competitive harm to the U.S. firm concerned.

Recipients:

Speaker of the House of Representatives
House Committee on Foreign Affairs
Senate Committee on Foreign Relations

Sincerely,

Paul D. Guaglianone,
*Senior Bureau Official, Bureau of
Legislative Affairs*

Michael J. Vaccaro,

*Deputy Assistant Secretary, Directorate of
Defense Trade Controls, U. S. Department
of State.*

[FR Doc. 2026-09759 Filed 5-14-26; 8:45 am]

BILLING CODE 4710-25-P

SURFACE TRANSPORTATION BOARD

[Docket No. FD 36916]

**Northeast Atlanta Railroad, LLC—
Lease and Operation Exemption With
Interchange Commitment—Norfolk
Southern Railway Company**

Northeast Atlanta Railroad, LLC (NEAR), a noncarrier,¹ has filed a verified notice of exemption pursuant to 49 CFR part 1150, subpart D, to lease from Norfolk Southern Railway Company (NSR) and operate approximately 1.15 miles of rail line extending from the Stone Mountain Lead Switch at approximately milepost 620.64 on NSR's Greenville District, near Doraville, Ga., into the Doraville Industrial Complex (the Line).

According to the verified notice, NEAR and NSR have reached an agreement pursuant to which NEAR will lease and operate the Line.

This transaction is related to a concurrently filed verified notice of exemption in *OPSEU Pension Plan Trust Fund, Jaguar Transport Holdings, LLC, & Jaguar Rail Holdings, LLC—Continuance in Control Exemption—Northeast Atlanta Railroad*, Docket No. FD 36915, in which the filing parties seek to continue in control of NEAR upon NEAR's becoming a Class III rail carrier.

NEAR certifies that its projected annual revenues from this transaction will not result in it becoming a Class I or Class II rail carrier and are not expected to exceed \$5 million. NEAR also certifies that the agreement with NSR contains an interchange commitment that places monetary penalties on traffic interchanged by NEAR with a third-party carrier. NEAR has provided additional information regarding the interchange commitment, as required by 49 CFR 1150.33(h).²

The transaction may be consummated on or after May 30, 2026, the effective

¹ NEAR mistakenly describes itself as "a Class III rail carrier" in the first sentence of its Verified Notice. As clarified in later text, NEAR would become a rail carrier when it "commences leasehold operation of the Line." (Verified Notice 3.)

² The Board's governing regulation requires NEAR to submit, inter alia, "[a] confidential, complete version of the document(s) containing or addressing that provision or agreement." See 49 CFR 1150.33(h)(1)(ii). With its verified notice of exemption, NEAR filed under seal a partial version of the agreement with NSR that omitted the three exhibits to the agreement. On April 14, 2026, NEAR supplemented its verified notice by submitting an additional exhibit under seal. On April 30, 2026, NEAR again supplemented its verified notice with two additional exhibits under seal, thus providing a complete agreement.

date of the exemption (30 days after the verified notice was filed).³

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the effectiveness of the exemption. Petitions for stay must be filed by May 22, 2026.

All pleadings, referring to Docket No. FD 36916, must be filed with the Surface Transportation Board either via e-filing on the Board's website or in writing addressed to 395 E Street SW, Washington, DC 20423-0001. In addition, a copy of each pleading must be served on NEAR's representative, Stephen J. Foland, Fletcher & Sippel LLC, 29 North Wacker Drive, Suite 800, Chicago, IL 60606-3208.

According to NEAR, this action is categorically excluded from environmental review under 49 CFR 1105.6(c) and from historic preservation reporting requirements under 49 CFR 1105.8(b).

Board decisions and notices are available at www.stb.gov.

Decided: May 12, 2026.

By the Board, Anika S. Cooper, Chief Counsel, Office of Chief Counsel.

Tammy Lowery,
Clearance Clerk.

[FR Doc. 2026-09726 Filed 5-14-26; 8:45 am]

BILLING CODE 4915-01-P

SURFACE TRANSPORTATION BOARD

[Docket No. FD 36915]

**OPSEU Pension Plan Trust Fund,
Jaguar Transport Holdings, LLC, and
Jaguar Rail Holdings, LLC—
Continuance in Control Exemption—
Northeast Atlanta Railroad, LLC**

OPSEU Pension Plan Trust Fund (OPTrust), Jaguar Transport Holdings, LLC (JTH), and Jaguar Rail Holdings, LLC (JRH), and collectively with OPTrust and JTH, Jaguar), each a noncarrier, have filed a verified notice of exemption under 49 CFR 1180.2(d)(2) to continue in control of Northeast Atlanta Railroad, LLC (NEAR), upon NEAR's becoming a Class III rail carrier. The verified notice states that NEAR is a directly controlled holding of JRH, which is directly controlled by JTH, which is indirectly controlled by OPTrust. Jaguar

³ In a decision served April 29, 2026, the effective date of the exemption was postponed to allow for supplementation of missing exhibits. That supplementation was completed on April 30, 2026, making that the filing date of the verified notice.

collectively controls 13 Class III rail carriers.¹

This transaction is related to a concurrently filed verified notice of exemption in *Northeast Atlanta Railroad, LLC—Lease & Operation Exemption with Interchange Commitment—Norfolk Southern Railway*, Docket No. FD 36916, in which NEAR seeks Board approval to lease from Norfolk Southern Railway Company (NSR) and operate approximately 1.15 miles of rail line extending from the Stone Mountain Lead Switch at approximately milepost 620.64 on NSR's Greenville District, near Doraville, Ga., into the Doraville Industrial Complex.

Jaguar represents that its control of NEAR upon NEAR's becoming a rail common carrier is not a transaction where: (1) NEAR would connect with any other Jaguar railroads; (2) Jaguar plans to connect NEAR with any other Jaguar railroads; or (3) a Class I carrier is involved. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323. *See* 49 CFR 1180.2(d)(2).

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. However, 49 U.S.C. 11326(c) does not provide for labor protection for transactions under 49 U.S.C. 11324 and 11325 that involve only Class III rail carriers. Accordingly, because this transaction involves Class III rail carriers only, the Board may not impose labor protective conditions here.

The earliest this transaction may be consummated is May 30, 2026, the effective date of the exemption (corresponding with the effective date of the related exemption in Docket No. FD 36916).² If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to

revoke the exemption under 49 U.S.C. 10502(g) may be filed at any time. The filing of a petition to revoke will not automatically stay the effectiveness of the exemption. Petitions for stay must be filed by May 22, 2026 (at least seven days before the exemption becomes effective).

All pleadings, referring to Docket No. FD 36915, must be filed with the Surface Transportation Board either via e-filing on the Board's website or in writing addressed to 395 E Street SW, Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Jaguar's representative, Stephen J. Foland, Fletcher & Sippel LLC, 29 North Wacker Drive, Suite 800, Chicago, IL 60606-3208.

According to Jaguar, this action is excluded from environmental review under 49 CFR 1105.6(c) and from historic preservation reporting requirements under 49 CFR 1105.8(b).

Board decisions and notices are available at www.stb.gov.

Decided: May 12, 2026.

By the Board, Anika S. Cooper, Chief Counsel, Office of Chief Counsel.

Tammy Lowery,
Clearance Clerk.

[FR Doc. 2026-09724 Filed 5-14-26; 8:45 am]

BILLING CODE 4915-01-P

SURFACE TRANSPORTATION BOARD

[Docket No. MCF 21147]

Student Transportation of America, Inc. et al.—Acquisition of Control—Tremblay's Bus Co., LLC, et al.

AGENCY: Surface Transportation Board.

ACTION: Notice tentatively approving and authorizing finance transaction.

SUMMARY: On April 15, 2026, Student Transportation of America, Inc. (STA), a noncarrier, and its parent entities (collectively, Applicants) filed an application under 49 U.S.C. 14303 seeking authority for STA to acquire all voting securities of Tremblay's Bus Co., LLC (Tremblay's Bus). The Board is tentatively approving and authorizing the proposed acquisition of control. If no opposing comments are timely filed, this notice will be the final Board action.

DATES: Comments must be filed by June 29, 2026. If any comments are filed, Applicants may file a reply by July 14, 2026. If no opposing comments are filed by June 29, 2026, this notice shall be effective on June 30, 2026.

ADDRESSES: Comments, referring to Docket No. MCF 21147, may be filed with the Board either via e-filing on the

Board's website or in writing addressed to: Surface Transportation Board, 395 E Street SW, Washington, DC 20423-0001. In addition, send one copy of comments to Applicants' representative: Mark J. Andrews, Clark Hill PLC, 1001 Pennsylvania Avenue NW, Suite 1300 South, Washington, DC 20004.

FOR FURTHER INFORMATION CONTACT:

Jonathon Binet at (202) 915-4348. If you require accommodation under the Americans with Disabilities Act, please call (202) 245-0245.

SUPPLEMENTARY INFORMATION: The application states that STA, a noncarrier Delaware corporation based in Wall, N.J., controls multiple passenger motor carriers that hold operating authorities issued by the Federal Motor Carrier Safety Administration (FMCSA). (Appl. 2-3, Ex. A at 1.) STA is a subsidiary of Student Transportation of America Holdings, Inc. (STA Holdings), a Delaware corporation, which in turn is a subsidiary of Spinner Intermediate Holdings Inc. (Spinner Holdings), another Delaware corporation. (*Id.*, Ex. A at 1.) Spinner Holdings is a subsidiary of Spinner US Acquireco, Inc. (Spinner), also a Delaware corporation. (*Id.*) The majority owner of Spinner is CDP Groupe Infrastructures, Inc., a noncarrier pension fund organized and existing in the Canadian province of Quebec. (*Id.* at 3, Ex. A at 1 and n.8.)

According to the application, STA controls 55 passenger transportation subsidiaries operating in the United States, nine of which hold FMCSA operating authority, as well as 12 passenger transportation subsidiaries operating in Canada.¹ (*Id.* at 3, 5.) The application states that the carriers under STA's control primarily provide school bus transportation under contracts with local schools, and the Applicants assert that this service is exempt from FMCSA regulation.² (*Id.* at 2.) According to the Applicants, STA and its affiliates currently have approximately 23,000 employees, utilize approximately 22,000 vehicles, and transport an estimated 1,250,000 students per day based on a 180-day school year. (*Id.* at 5.) Applicants state that exempt school transportation accounts for 97% of STA's annual revenues,³ with the

¹ Additional information about the U.S. carriers controlled by STA, including U.S. Department of Transportation (USDOT) numbers and motor carrier numbers, can be found in Exhibit C of the application.

² *See* 49 U.S.C. 13506(a)(1) (exempting from both USDOT and Board jurisdiction "a motor vehicle transporting only school children and teachers to or from school").

³ The application states that STA earns annual revenues of approximately \$1.03 billion USD in the United States and approximately \$380 million USD in Canada.

¹ Those carriers, and the states in which they operate, are: (1) Southwestern Railroad, Inc.—New Mexico, Texas, and Oklahoma; (2) Texas & Eastern Railroad, LLC—Texas; (3) Wyoming and Colorado Railroad, Inc. (which also does business under the name Oregon Eastern Railroad)—Oregon; (4) Missouri Eastern Railroad, LLC—Missouri; (5) Charlotte Western Railroad, LLC—North Carolina; (6) Kinston Railroad, LLC—North Carolina; (7) Waterloo Railroad LLC—Iowa; (8) Cimarron Valley Railroad, L.C.—Kansas, Colorado, and Oklahoma; (9) Washington Eastern Railroad, LLC—Washington; (10) Central Washington Railroad Company, LLC—Washington; (11) Columbia Basin Railroad Company, LLC—Washington; (12) Kansas City West Bottoms Railroad—Kansas and Missouri; and (13) West Memphis Base Railroad, L.L.C.—Arkansas.

² In a decision served April 29, 2026, the effective date of both exemptions was postponed to allow for supplementation of missing exhibits in Docket No. FD 36916. Supplementation was completed on April 30, 2026, and that exemption is scheduled to become effective May 30, 2026.

remainder derived from utilizing school buses, and occasionally motor coaches, for charter and special operations that do not involve transporting students to and from schools. (*Id.* at 2, 5.)

Applicants seek Board approval to acquire control of Tremblay's Bus and its non-real estate affiliates. (*Id.* at 3–4.) The application states that Tremblay's Bus is a passenger motor carrier based in New Bedford, Mass., that holds FMCSA operating authority as well as intrastate operating authority in Massachusetts. (*Id.*) Additional information about Tremblay's Bus, including its Massachusetts certificate number, USDOT number, FMCSA docket number, and safety rating, is also available in the application. (*Id.*) According to the application, none of the Tremblay's Bus affiliates hold FMCSA authority. (*Id.* at 4.) Applicants state that Tremblay's Bus currently has approximately 430 drivers, utilizes approximately 350 school buses, and transports approximately 9,500 students per day during school years and approximately 1,250 students per day during summer periods. (*Id.* at 5.) Applicants further state that Tremblay's Bus primarily provides school bus transportation under contracts with local schools but also uses its buses for charter and special operations when they are not being used to transport students to and from schools. (*Id.* at 2.) The application explains that over 99% of Tremblay's Bus's \$35.9 million in annual revenues come from transporting students for public school districts in New Bedford, Fall River, and Dartmouth, Mass., with the remainder derived from charter and special operations in the same areas. (*Id.* at 5.) Applicants further state that there is no overlap between the school districts in Massachusetts served by Tremblay's Bus and the school districts served by the STA affiliates' school bus operations. (*Id.* at 6.)

In the proposed transaction, STA will acquire control of all voting securities of Tremblay's Bus pursuant to an agreement executed on April 13, 2026. (*Id.* at 2, 4.) Upon closing the transaction, Tremblay's Bus will become a direct subsidiary of STA and an affiliate of the FMCSA-registered passenger carriers currently owned by STA. (*Id.* at 6.) STA and Tremblay's Bus expect to close the proposed acquisition by the end of the second quarter of 2026, subject to approval by the Board. (*Id.* at 4.)

Under 49 U.S.C. 14303(b), the Board must approve and authorize a transaction that it finds consistent with the public interest, taking into consideration at least (1) the effect of the

proposed transaction on the adequacy of transportation to the public, (2) the total fixed charges resulting from the proposed transaction, and (3) the interest of affected carrier employees. Applicants have submitted the information required by 49 CFR 1182.2, including information demonstrating that the proposed transaction is consistent with the public interest under 49 U.S.C. 14303(b), *see* 49 CFR 1182.2(a)(7), and a jurisdictional statement under 49 U.S.C. 14303(g) that the aggregate gross operating revenues of the involved carriers exceeded \$2 million during a consecutive 12-month period ending not more than 6 months before the date of the agreement of the parties, *see* 49 CFR 1182.2(a)(5). (Appl. 3–9.)

Applicants state that the contract-based nature of their business provides incentive for STA's operating subsidiaries and Tremblay's Bus to maintain and improve existing services in order to improve their chances of success when new opportunities arise and when existing contracts are re-competed. (*Id.* at 7–8.) According to the Applicants, contract renewals in the school transportation sector often involve highly visible and intense negotiation processes between multiple bidders, governmental bodies, unions, political activists and other interested parties. (*Id.* at 7.) Applicants further state that the local governments, school districts, and schools that outsource their transportation services can always go back to providing bus transportation "in-house." (*Id.*) Applicants claim that these persistent competitive pressures will provide incentive for STA and Tremblay's Bus to maintain high service levels after the transaction is completed. (*Id.*)

With respect to fixed charges, Applicants state that there are no current plans to finance the proposed acquisition in a manner that would affect fixed charges payable by STA or its affiliates. (*Id.*) Applicants further state that funding for the transaction "will be drawn from STA's current credit facility, and Tremblay's Bus (like other STA subsidiaries) will become a co-obligor under that facility." (*Id.*)

The Applicants state that it is highly unlikely that any Tremblay's Bus employees would be adversely affected to any significant degree by the proposed transaction. (*Id.* at 8.) The application emphasizes the contractual obligations that will remain in place after the transaction is completed, and the competitive incentives to maintain and improve existing services. Applicants further state that there is a "longstanding shortage of qualified

drivers and maintenance personnel," and assert that STA continues to actively recruit additional employees. (*Id.*) Thus, according to the Applicants, STA and Tremblay's Bus have no intention of significantly reducing employment levels involving drivers, dispatchers, or vehicle maintenance personnel as a result of the acquisition. (*Id.*)

Based on their representations, the Board finds that Applicants' acquisition of control of Tremblay's Bus is consistent with the public interest. The application will be tentatively approved and authorized. If any opposing comments are timely filed, these findings will be deemed vacated, and, unless a final decision can be made on the record as developed, a procedural schedule will be adopted to reconsider the application. *See* 49 CFR 1182.6. If no opposing comments are filed by the expiration of the comment period, this notice will take effect automatically and will be the final Board action in this proceeding.

This action is categorically excluded from environmental review under 49 CFR 1105.6(c).

Board decisions and notices are available at www.stb.gov.

It is ordered:

1. The transaction is approved and authorized, subject to the filing of opposing comments.
2. If opposing comments are timely filed, the findings made in this notice will be deemed vacated.
3. This notice will be effective on June 30, 2026, unless opposing comments are filed by June 29, 2026. If any comments are filed, Applicants may file a reply by July 14, 2026.
4. A copy of this notice will be served on: (1) the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue SE, Washington, DC 20590; (2) the U.S. Department of Justice, Antitrust Division, 10th Street & Pennsylvania Avenue NW, Washington, DC 20530; and (3) the U.S. Department of Transportation, Office of the General Counsel, 1200 New Jersey Avenue SE, Washington, DC 20590.

Decided: May 11, 2026.

By the Board, Board Members Fuchs, Hedlund, and Schultz.

Eden Besera,
Clearance Clerk.

[FR Doc. 2026–09720 Filed 5–14–26; 8:45 am]

BILLING CODE 4915-01-P

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Request for Comments and Public Hearing About the Administration's Action Following a Determination of Import Injury With Regard to Quartz Surface Products (QSP)

AGENCY: Office of the United States Trade Representative (USTR).

ACTION: Request for comments and notice of public hearing.

SUMMARY: On April 1, 2026, the United States International Trade Commission (USITC) determined that quartz surface products (QSP) are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article that is like or directly competitive with the imported article. The Commissioners who voted in the affirmative are now conducting a process to recommend a safeguard measure for the President. The Office of the United States Trade Representative (USTR), on behalf of the Trade Policy Staff Committee (TPSC), is announcing a process so that, once the USITC makes its recommendation and issues its report to the President, domestic producers, importers, exporters, and other interested parties subsequently may submit their views and evidence on the appropriateness of the recommended safeguard measure. USTR also invites interested parties to participate in a public hearing regarding this matter.

DATES:

June 1, 2026, at 11:59 p.m. EST: Deadline for submission of written comments, requests to testify, and summaries of written testimony.

June 8, 2026, at 11:59 p.m. EST: Deadline for submission of written responses to the initial round of comments.

June 16, 2026: The TPSC will hold a public hearing in Rooms 1 and 2, 1724 F Street NW, Washington, DC.

ADDRESSES: USTR strongly prefers electronic submissions made through the Federal eRulemaking Portal: <http://www.regulations.gov> (*Regulations.gov*). Follow the instructions for submitting requests to appear at the public hearing in sections III and IV below. Follow the instructions for submitting written comments, summaries of testimony, and written responses to the initial round of comments in section IV below. The docket number is USTR–2026–0232. For alternatives to online submissions, please contact Matthew P. Jaffe at Matthew_P_Jaffe@ustr.eop.gov.

FOR FURTHER INFORMATION CONTACT: Victor Mroczka, Office of WTO and Multilateral Affairs, at Victor_S_Mroczka@ustr.eop.gov or (202) 395–9450; Michael Gagain, Office of the General Counsel, at Michael.T.Gagain@ustr.eop.gov or (202) 395–9529; or Matthew Jaffe, Office of the General Counsel, at Matthew_P_Jaffe@ustr.eop.gov or (202) 395–9512.

SUPPLEMENTARY INFORMATION:

I. The USITC Investigation and Section 201

On December 1, 2025, following receipt of a petition for import relief, as initially submitted on September 15, 2025, and as supplemented on September 23, 2025, and November 17, 2025, and deemed to be properly filed on November 17, 2025, the USITC instituted investigation No. TA–201–79 pursuant to section 202 of the Trade Act of 1974 (19 U.S.C. 2252) to determine whether QSP are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The USITC notice of institution (90 FR 55165) identifies the scope of the products covered by this investigation.

On April 1, 2026, after receiving submissions from interested parties and holding a public hearing on serious injury on February 24, 2026, the USITC determined that the increased importation of QSP is a substantial cause of serious injury, or threat thereof, to the domestic industry. In line with domestic legal requirements, the USITC also found that neither QSP imports from Canada, nor QSP imports from Mexico, account for a substantial share of total imports or contribute importantly to the serious injury caused by imports. Finally, the USITC found that imports of QSP from every other free trade agreement partner country, when considered individually, are not a substantial cause of serious injury or threat thereof. The USITC determination and additional information about the investigation, including the administrative record consisting of briefs and other submissions, can be found in the Electronic Document Information System (EDIS) on the USITC website at www.usitc.gov.

The USITC is now conducting the remedy phase of the investigation. By May 18, 2026, after the remedy hearing and consideration of submissions, the USITC will submit to the President a report with its injury determination, remedy recommendations, certain additional findings, and the basis for

them. A public report concerning the investigation will be available on the USITC website at www.usitc.gov after the USITC submits its findings and recommendations to the President.

II. Proposed Measure and Opportunity To Comment

Section 201 of the Trade Act of 1974 (19 U.S.C. 2251) authorizes the President, in the event of an affirmative serious injury determination by the USITC, to take all appropriate and feasible action within his power that he determines will facilitate efforts by the domestic industry to make a positive adjustment to import competition and provide greater economic and social benefits than costs. The statute provides for the President to take action within 60 days after receiving the USITC report, subject to any decision the President makes to request additional information from the USITC. The USITC is scheduled to transmit its report to the President by May 18, 2026. In accordance with section 203(a)(1)(C) of the Trade Act of 1974 (19 U.S.C. 2253(a)(1)(C)), the TPSC will make a recommendation to the President on what action the President should take. This recommendation will take into account the USITC recommendation and report, the extent to which workers and firms in the domestic industry will benefit from adjustment assistance, the efforts of the domestic industry to make positive adjustments, and other relevant considerations. The potential actions the President may take to provide a remedy in the form of a safeguard measure include:

- imposition, or increase, of a duty on the imported articles in question;
- use of a tariff-rate quota;
- modification or imposition of any quantitative restriction on the importation of the articles into the United States;
- a proposal to negotiate and carry out an agreement with foreign countries to limit the exportation from foreign countries and importation into the United States;
- procedures for the granting of import licenses;
- other negotiations to identify the underlying cause of the increased imports to alleviate the injury or threat thereof;
- legislative proposals that would facilitate a positive adjustment;
- other action consistent with the President's authority; or
- any combination of these actions.

USTR offers these potential remedies for further consideration by domestic producers, importers, exporters, and other interested parties, and invites

views and evidence on whether a proposed remedy is appropriate and in the public interest. In commenting on the action to take, we request that you address:

1. The appropriateness of any other proposed action and how it would be in the public interest.
2. The short- and long-term effects the proposed action is likely to have on the domestic QSP industry, its workers, and on other domestic industries and communities.
3. The short- and long-term effects that not taking the proposed action is likely to have on the domestic QSP industry, its workers, and on other domestic industries and communities.

III. Hearing Participation

The TPSC will convene a public hearing on June 16, 2026, in Rooms 1 and 2, 1724 F Street NW, Washington, DC. USTR will provide information about the format and schedule for the hearing to interested parties. Requests to appear at the hearing and testify must include the following information: (1) name, address, telephone number, email address, and firm or affiliation of the individual wishing to testify; and (2) a brief summary of the proposed oral presentation. Follow the instructions for submitting requests to appear at the hearing in Section IV below.

IV. Submission Instructions

USTR seeks public comments with respect to the issues described in Section II. To be assured of consideration, you must submit written comments, requests to appear at the hearing, and summaries of testimony by 11:59 p.m. EST on June 1, 2026, and any written responses to those comments by 11:59 p.m. EST on June 8, 2026. The request to appear at the hearing must include a summary of testimony and may be accompanied by a prehearing submission. All comments must be in English and must identify on the reference line of the first page of the submission “Potential Action: Quartz Surface Products.” USTR invites small businesses (generally defined by the Small Business Administration as firms with fewer than 500 employees) or organizations representing small business members that submit comments to self-identify as such in their written comments and requests to appear at the hearing, so that we may be aware of issues of particular interest to small businesses.

USTR strongly encourages commenters to make online submissions, using *Regulations.gov*. To submit comments via *Regulations.gov*, enter docket number USTR–2026–0232

on the home page and click “search.” The site will provide a search-results page listing all documents associated with this docket. Find a reference to this notice and click on the link entitled “Comment Now!”

For further information on using *Regulations.gov*, please consult the resources provided on the website by clicking “How to Use Regulations.gov” on the bottom of the home page. USTR will not accept hand-delivered submissions.

The *Regulations.gov* website allows users to provide comments by filling in a “Type Comment” field, or by attaching a document using an “Upload File” field. USTR prefers that you provide comments as an attached document in Microsoft Word (.doc) or Adobe Acrobat (.pdf) format. If the submission is in another file format, please indicate the name of the software application in the “Type Comment” field. File names should reflect the name of the person or entity submitting the comments. Please do not attach separate cover letters to electronic submissions; rather, include any information that might appear in a cover letter in the comments themselves. To the extent possible, please include any exhibits, annexes, or other attachments in the same file as the comment itself, rather than submitting them as separate files.

For any comments submitted electronically that contain business confidential information (BCI), the file name of the business confidential version should begin with the characters “BCI”. Any page containing business confidential information must be clearly marked “BUSINESS CONFIDENTIAL” on the top of that page and the submission should clearly indicate, via brackets, highlighting, or other means, the specific information that is business confidential. A filer requesting business confidential treatment must certify that the information is business confidential and would not customarily be released to the public by the submitter. Filers of submissions containing business confidential information also must submit a public version of their comments. The file name of the public version should begin with the character “P”. Follow the “BCI” and “P” with the name of the person or entity submitting the comments. Filers submitting comments containing no BCI should name their file using the name of the person or entity submitting the comments.

As noted, USTR strongly urge submitters to file comments through *Regulations.gov*. You must make arrangements for any alternative method

of submission with Matthew P. Jaffe at Matthew_P_Jaffe@ustr.eop.gov far in advance of the relevant deadline and before transmitting a comment.

You can find general information about USTR at www.ustr.gov.

USTR will post comments in the docket for public inspection, except properly designated BCI. You can view comments on *Regulations.gov* by entering the docket number in the search field on the home page.

Mark DiPlacido,

*Chair of the Trade Policy Staff Committee,
Office of the United States Trade
Representative.*

[FR Doc. 2026–09809 Filed 5–14–26; 8:45 am]

BILLING CODE 3290–F8–P

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Notice of Final Federal Agency Actions on Proposed Transportation Project in State Florida

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Notice of limitation on claims for judicial review.

SUMMARY: The FHWA, on behalf of the State Department of Transportation (FDOT), is issuing this notice to announce actions taken by FDOT and other Federal agencies that are final agency actions. These actions relate to the proposed Clearlake Road (State Road (S.R.) 501) Project Development and Environment (PD&E) Study from Michigan Avenue to Industry Road (Financial Project Identification 433605–1). The proposed improvements consist of widening the existing two-lane roadway to a four-lane divided urban roadway; replacing the existing 90-degree roadway curve with a roundabout; and constructing shared-use paths on both sides of S.R. 501.

DATES: By this notice, the FHWA, on behalf of FDOT, is advising the public of final agency actions subject to 23 U.S.C. 139(l)(1). A claim seeking judicial review of the Federal Agency actions on the listed highway project will be barred unless the claim is filed on or before October 13, 2026. If the Federal law that authorizes judicial review of a claim provides a time period of less than 150 days for filing such claim, then that shorter time period still applies.

ADDRESSES: The Type 2 Categorical Exclusion and additional project documents can be viewed and downloaded from the project website at: <https://www.cflroads.com/project/>

433605-1 or by contacting FDOT Office of Environmental Management, 605 Suwannee Street, MS 37, Tallahassee, Florida 32399, during normal business hours are 8 a.m. to 5 p.m. (Eastern Standard Time), Monday through Friday, except State holidays.

FOR FURTHER INFORMATION CONTACT:

Katasha Gruver, Director, Office of Environmental Management, FDOT; telephone (850) 414-5260; email: Katasha.Gruver@dot.state.fl.us.

SUPPLEMENTARY INFORMATION: Effective December 14, 2016, and as subsequently renewed on May 26, 2022, the FHWA assigned, and the FDOT assumed, environmental responsibilities for this project pursuant to 23 U.S.C. 327. Notice is hereby given that FDOT and other Federal agencies have taken final agency actions subject to 23 U.S.C. 139(l)(1) by issuing licenses, permits, or approvals for the proposed improvement highway project. The actions by FDOT and other Federal agencies on the project, and the laws under which such actions were taken are described in the Type 2 Categorical Exclusion approved on March 24, 2026, and in other project records for the listed project. The Type 2 Categorical Exclusion and other documents for the listed project are available by contacting FDOT at the address provided above.

The project subject to this notice is:

Project Location: The project limits include a 1.1-mile segment of S.R. 501 from Michigan Avenue to Industry Road in the City of Cocoa, Brevard County, Florida to address travel demand, modal relationships and safety. The proposed improvements consist of widening the existing two-lane roadway to a four-lane divided urban roadway, replacing a 90-degree curve with a roundabout and providing continuous shared use paths on both sides of the corridor.

Project Actions: This notice applies to the Type 2 Categorical Exclusion and all other Federal agency licenses, permits, or approvals for the listed project as of the issuance date of this notice including but not limited to the Section 4(f) Resource Programmatic Approval and all laws under which such actions were taken, including but not limited to:

1. **General:** National Environmental Policy Act (NEPA) [42 U.S.C. 4321 *et seq.*]; Federal-Aid Highway Act (FAHA) [23 U.S.C. 109 and 23 U.S.C. 128]; 23 CFR part 771.

2. **Air:** Clean Air Act (CAA) [42 U.S.C. 7401-7671(q)], with the exception of project level conformity determinations [42 U.S.C. 7506].

3. **Noise:** Noise Control Act of 1972 [42 U.S.C. 4901-4918]; 23 CFR part 772.

4. **Land:** Section 4(f) of the Department of Transportation Act of

1966 [23 U.S.C. 138 and 49 U.S.C. 303]; 23 CFR part 774; Land and Water Conservation Fund (LWCF) [54 U.S.C. 200302-200310].

5. **Wildlife:** Endangered Species Act (ESA) [16 U.S.C. 1531-1544 and 1536]; Marine Mammal Protection Act [16 U.S.C. 1361-1423h], Anadromous Fish Conservation Act [16 U.S.C. 757(a)-757(f)]; Fish and Wildlife Coordination Act [16 U.S.C. 661-667(d)]; Migratory Bird Treaty Act (MBTA) [16 U.S.C. 703-712]; Magnuson-Stevenson Fishery Conservation and Management Act of 1976, as amended [16 U.S.C. 1801-1891d], with Essential Fish Habitat requirements [16 U.S.C. 1855(b)(2)].

6. **Historic and Cultural Resources:** Section 106 of the National Historic Preservation Act of 1966, as amended [54 U.S.C. 3006101 *et seq.*]; Archaeological Resources Protection Act of 1979 (ARPA) [16 U.S.C. 470(aa)-470(ii)]; Preservation of Historical and Archaeological Data [54 U.S.C. 312501-312508]; Native American Grave Protection and Repatriation Act (NAGPRA) [25 U.S.C. 3001-3013; 18 U.S.C. 1170].

7. **Social and Economic:** Civil Rights Act of 1964 [42 U.S.C. 2000d-2000d-1]; American Indian Religious Freedom Act [42 U.S.C. 1996]; Farmland Protection Policy Act (FPPA) [7 U.S.C. 4201-4209].

8. **Wetlands and Water Resources:** Clean Water Act (Section 319, Section 401, Section 404) [33 U.S.C. 1251-1387]; Coastal Barriers Resources Act (CBRA) [16 U.S.C. 3501-3510]; Coastal Zone Management Act (CZMA) [16 U.S.C. 1451-1466]; Safe Drinking Water Act (SDWA) [42 U.S.C. 300f-300j-26]; Rivers and Harbors Act of 1899 [33 U.S.C. 401-406]; Wild and Scenic Rivers Act [16 U.S.C. 1271-1287]; Emergency Wetlands Resources Act [16 U.S.C. 3921, 3931]; Wetlands Mitigation, [23 U.S.C. 119(g) and 133(b)(3)]; Flood Disaster Protection Act [42 U.S.C. 4001-4130].

9. **Hazardous Materials:** Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) [42 U.S.C. 9601-9675]; Superfund Amendments and Reauthorization Act of 1986 (SARA); Resource Conservation and Recovery Act (RCRA) [42 U.S.C. 6901-6992(k)].

10. **Executive Orders:** E.O. 11990 Protection of Wetlands; E.O. 11988 Floodplain Management; E.O. 11593 Protection and Enhancement of Cultural Resources; E.O. 13007 Indian Sacred Sites; E.O. 13287 Preserve America; E.O. 11514 Protection and Enhancement of Environmental Quality; E.O. 13112 Invasive Species.

(Catalog of Federal Domestic Assistance Program Number 20.205, Highway Planning

and Construction. The regulations implementing Executive Order 12372 regarding intergovernmental consultation on Federal programs and activities apply to this program.)

(Authority: 23 U.S.C. 139(l)(1)).

Issued on: May 12, 2026.

James Cons Christian,

Division Administrator, Federal Highway Administration.

[FR Doc. 2026-09766 Filed 5-14-26; 8:45 am]

BILLING CODE 4910-RY-P

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Notice of Final Federal Agency Actions on Proposed Transportation Project in Utah

AGENCY: Federal Highway Administration (FHWA), Department of Transportation.

ACTION: Notice of limitation on claims for judicial review.

SUMMARY: The FHWA, on behalf of the Utah Department of Transportation (UDOT), is issuing this notice to announce actions taken by UDOT and other Federal agencies that are final agency actions. These actions relate to the proposed transportation improvements on State Route 190 (SR-190) in Salt Lake County, Utah. The Proposed Action integrates enhanced bus service, improved bus stop facilities, a dedicated bus priority lane on Brighton Loop Road, and a congestion-based tolling system. Additional proposed infrastructure at the base of Big Cottonwood Canyon (BCC) includes the construction of a mobility hub parking facility, which will provide approximately 1,750 public parking spaces, on the eastern side of Wasatch Boulevard. To facilitate mobility hub access and transit efficiency, the project includes a new grade-separated interchange on Wasatch Boulevard and a new transitway to provide a dedicated route for buses to bypass congestion at the base of BCC.

DATES: By this notice, the FHWA, on behalf of UDOT, is advising the public of final agency actions subject to 23 U.S.C. 139(l)(1). A claim seeking judicial review of the Federal Agency actions on the listed highway project will be barred unless the claim is filed on or before October 13, 2026. If the Federal law that authorizes judicial review of a claim provides a time period of less than 150 days for filing such claim, then that shorter time period still applies.

ADDRESSES: The Environmental Assessment (EA), Finding of No Significant Impact (FONSI) and additional project documents can be viewed and downloaded from the project website at: <https://udotinput.utah.gov/bccstudy> or by contacting UDOT Environmental Services, 4501 South 2700 West, P.O. Box 148450 Salt Lake City, UT 84114–8450, during normal business hours are 8 a.m. to 5 p.m. (Eastern Standard Time), Monday through Friday, except State holidays.

FOR FURTHER INFORMATION CONTACT: Carissa Watanabe, Environmental Program Manager, UDOT Division of Environmental Services; 503–939–3798; cwatanabe@utah.gov.

SUPPLEMENTARY INFORMATION: Effective January 17, 2017, and as subsequently renewed on May 26, 2022, the FHWA assigned, and the UDOT assumed, environmental responsibilities for this project pursuant to 23 U.S.C. 327. Notice is hereby given that UDOT and other Federal agencies have taken final agency actions subject to 23 U.S.C. 139(l)(1) by issuing licenses, permits, or approvals for the proposed improvement highway project. The actions by UDOT and other Federal agencies on the project, and the laws under which such actions were taken are described in the FONSI approved on May 8, 2026, and in other project records for the listed project. The EA, the FONSI and other documents for the listed project are available by contacting UDOT at the address provided above.

The project subject to this notice is:

Project Location: The project limits include SR–190; MP 0.00–17.00 in Salt Lake County, Utah.

Project Actions: This notice applies to the EA and FONSI and all other Federal agency licenses, permits, or approvals for the listed project as of the issuance date of this notice including but not limited to the Section 4(f) Evaluation and all laws under which such actions were taken, including but not limited to:

1. **General:** National Environmental Policy Act (NEPA) [42 U.S.C. 4321 *et seq.*]; Federal–Aid Highway Act (FAHA) [23 U.S.C. 109 and 23 U.S.C. 128]; 23 CFR part 771.

2. **Air:** Clean Air Act (CAA) [42 U.S.C. 7401–7671(q)], with the exception of project level conformity determinations [42 U.S.C. 7506].

3. **Noise:** Noise Control Act of 1972 [42 U.S.C. 4901–4918]; 23 CFR part 772.

4. **Land:** Section 4(f) of the Department of Transportation Act of 1966 [23 U.S.C. 138 and 49 U.S.C. 303]; 23 CFR part 774.

5. **Wildlife:** Endangered Species Act (ESA) [16 U.S.C. 1531–1544 and 1536]; Fish and Wildlife Coordination Act [16 U.S.C. 661–667(d)]; Migratory Bird Treaty Act (MBTA) [16 U.S.C. 703–712].

6. **Historic and Cultural Resources:** Section 106 of the National Historic Preservation Act of 1966, as amended [54 U.S.C. 3006101 *et seq.*]; Archaeological Resources Protection Act of 1979 (ARPA) [16 U.S.C. 470(aa)–470(II)]; Preservation of Historical and Archaeological Data [54 U.S.C. 312501–312508].

7. **Social and Economic:** Civil Rights Act of 1964 [42 U.S.C. 2000d–2000d–1]; American Indian Religious Freedom Act [42 U.S.C. 1996]; Farmland Protection Policy Act (FPPA) [7 U.S.C. 4201–4209].

8. **Wetlands and Water Resources:** Clean Water Act (Section 319, Section 401, Section 404) [33 U.S.C. 1251–1387]; Safe Drinking Water Act (SDWA) [42 U.S.C. 300f–300j–26]; Rivers and Harbors Act of 1899 [33 U.S.C. 401–406]; Wild and Scenic Rivers Act [16 U.S.C. 1271–1287]; Emergency Wetlands Resources Act [16 U.S.C. 3921, 3931]; Wetlands Mitigation, [23 U.S.C. 119(g) and 133(b)(3)]; Flood Disaster Protection Act [42 U.S.C. 4001–4130].

9. **Hazardous Materials:** Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) [42 U.S.C. 9601–9675]; Superfund Amendments and Reauthorization Act of 1986 (SARA); Resource Conservation and Recovery Act (RCRA) [42 U.S.C. 6901–6992(k)].

10. **Executive Orders:** E.O. 11990 Protection of Wetlands; E.O. 11988 Floodplain Management; E.O. 11593 Protection and Enhancement of Cultural Resources; E.O. 13007 Indian Sacred Sites; E.O. 13287 Preserve America; E.O. 11514 Protection and Enhancement of Environmental Quality; E.O. 13112 Invasive Species.

(Catalog of Federal Domestic Assistance Program Number 20.205, Highway Planning and Construction. The regulations implementing Executive Order 12372 regarding intergovernmental consultation on Federal programs and activities apply to this program.)

(Authority: 23 U.S.C. 139(l)(1)).

Issued on: May 13, 2026.

Ivan Marrero,

Division Administrator, Federal Highway Administration.

[FR Doc. 2026–09817 Filed 5–14–26; 8:45 am]

BILLING CODE 4910-RY-P

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

Notice of OFAC Sanctions Action

AGENCY: Office of Foreign Assets Control, Treasury.

ACTION: Notice.

SUMMARY: The U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) is publishing the names of one or more persons that have been placed on OFAC's Specially Designated Nationals and Blocked Persons List (SDN List) based on OFAC's determination that one or more applicable legal criteria were satisfied. All property and interests in property subject to U.S. jurisdiction of these persons are blocked, and U.S. persons are generally prohibited from engaging in transactions with them.

DATES: These actions were issued on May 8, 2026 and May 11, 2026. See Supplementary Information for relevant dates.

FOR FURTHER INFORMATION CONTACT: OFAC: Associate Director for Global Targeting, 202–622–2420; Assistant Director for Licensing, 202–622–2480; Assistant Director for Sanctions Compliance, 202–622–2490; or <https://ofac.treasury.gov/contact-ofac>.

SUPPLEMENTARY INFORMATION:

Electronic Availability

The SDN List and additional information concerning OFAC sanctions programs are available on OFAC's website: <https://ofac.treasury.gov>.

Notice of OFAC Actions

On May 8, 2026 and May 11, 2026, OFAC determined that the property and interests in property subject to U.S. jurisdiction of the following persons are blocked under the relevant sanctions authorities listed below.

BILLING CODE 4810-AL-P

Individuals

1. GHEHI, Mohammadreza Ashrafi (a.k.a. GHABI, Mohammadreza Ashrafi), Iran; DOB 13 Dec 1978; nationality Iran; Additional Sanctions Information - Subject to Secondary Sanctions; Gender Male; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; National ID No. 0067816509 (Iran) (individual) [SDGT] [IRGC] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(E) of Executive Order (E.O.) 13224 of September 23, 2001, "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism," 66 FR 49079, 3 CFR, 2001 Comp., p. 786, as amended by Executive Order 13886 of September 9, 2019, "Modernizing Sanctions To Combat Terrorism," 84 FR 48041, 3 CFR, 2019 Comp., p. 356 (E.O. 13224, as amended), for being a leader or official of the ISLAMIC REVOLUTIONARY GUARD CORPS.

2. LI, Genping (Chinese Simplified: 李根平), Ningbo, Zhejiang, China; DOB 15 Aug 1983; POB Nanfeng County, Jiangxi, China; nationality China; Additional Sanctions Information - Subject to Secondary Sanctions; Gender Male; Passport E10413641 (China) expires 11 Dec 2022; National ID No. 362524198308156510 (China) (individual) [NPWMD] [IFSR] (Linked To: HITEX INSULATION NINGBO COMPANY LIMITED).

Designated pursuant to section 1(a)(iv) of Executive Order (E.O.) 13382 of June 28, 2005, "Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters," 70 FR 38567, 3 CFR, 2005 Comp., p. 170 (E.O. 13382), for being owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, HITEX INSULATION NINGBO COMPANY LIMITED.

3. MALEKI, Mohammadmahdi (a.k.a. MALEKI, Mohammad Mahdi), Belarus; DOB 26 Apr 1995; nationality Iran; Additional Sanctions Information - Subject to Secondary Sanctions; Gender Male; Passport I67689026 (Iran) expires 09 Mar 2029 (individual) [NPWMD] [IFSR] (Linked To: CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION.

4. SALAMI, Samad Fathi (a.k.a. FATHISALMI, Samad), Iran; DOB 22 Jun 1980; nationality Iran; Additional Sanctions Information - Subject to Secondary Sanctions; Gender Male; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Passport V52953880 (Iran); National ID No. 6339379079 (Iran) (individual) [SDGT] [IRGC] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(E) of Executive Order (E.O.) 13224, as amended, for being a leader or official of the ISLAMIC REVOLUTIONARY GUARD CORPS.

5. TOLIBOV, Mohammed Ali (a.k.a. TOLIBOV, Muhamadali; a.k.a. TOLIBOV, Mukhamadali Khaydarkhudzhaevich (Cyrillic: ТОЛИБОВ, Мухамадали Хайдархуджаевич)), Belarus; DOB 17 Jan 1982; nationality Belarus; Additional Sanctions Information - Subject to Secondary Sanctions; Gender Male; Passport MR4193252 (Belarus) [NPWMD] [IFSR] (Linked To: ARMORY ALLIANCE LLC).

Designated pursuant to section 1(a)(iv) of E.O. 13382 for being owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, ARMORY ALLIANCE LLC.

6. ZADEH, Ahmad Mohammadi (a.k.a. ZADEH, Ahmad Mohammedi), Iran; DOB 23 Sep 1961; nationality Iran; Additional Sanctions Information - Subject to Secondary Sanctions; Gender Male; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Passport U65222701 (Iran); National ID No. 3539608613 (Iran) (individual) [SDGT] [IRGC] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(E) of Executive Order (E.O.) 13224, as amended, for being a leader or official of the ISLAMIC REVOLUTIONARY GUARD CORPS.

Entities

1. AE INTERNATIONAL TRADE CO LIMITED (Chinese Traditional: 艾宜國際貿易有限公司), 19H, Maxgrand Plaza, No. 3 Tai Yau Street, San Po Kong, Kowloon, Hong Kong, China; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 06 Mar 2018; Company Number 2662172 (Hong Kong); Business Registration Number 69032202 (Hong Kong) [NPWMD] [IFSR] (Linked To: CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION.

2. ARMORY ALLIANCE LLC (Cyrillic: ООО АРМОРИ АЛЪЯНС), Building 33, Section 14, 13A, Tarkhanova St, Minsk 220035, Belarus; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 20 Oct 2021; Tax ID No. 193596647 (Belarus) [NPWMD] [IFSR] (Linked To: CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or

goods or services in support of, CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION.

3. ATIC ENERGY FZE (Arabic: أتيك انيرجي م م ح), Office No E-23G-21, P1-ELOB, Hamriya Free Zone, Sharjah, United Arab Emirates; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 01 Jul 2021; License 19471 (United Arab Emirates); Economic Register Number (CBLS) 11700054 (United Arab Emirates) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

4. BLANCA GOODS WHOLESALER LLC (Arabic: بلانكا للسلع بالجملة ذ م م), Office No 101-05, Port Said, Dubai, United Arab Emirates; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 07 Nov 2019; License 862498 (United Arab Emirates); Chamber of Commerce Number 330818 (United Arab Emirates); Registration Number 1464969 (United Arab Emirates); Economic Register Number (CBLS) 11433157 (United Arab Emirates) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

5. ELITE ENERGY FZCO, BCB3 612, Sixth Floor, Business Cluster - Building 3, Dubai CommerCity, Dubai, United Arab Emirates; Website <https://elitefzco.com>; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 01 Nov 2023; License 50320 (United Arab Emirates) [NPWMD] [IFSR] (Linked To: AE INTERNATIONAL TRADE CO LIMITED).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, AE INTERNATIONAL TRADE CO LIMITED.

6. HITEX INSULATION NINGBO COMPANY LIMITED (Chinese Simplified: 宁波含特堡温材料有限公司), Room 803, No. 10, Lane 818, Qianhe South Road, Yinzhou District, Ningbo, Zhejiang, China (Chinese Simplified: 前河南路 818 弄 10 号 803 室, 鄞州区, 宁波市, 浙江省, China); Room 903-904, Raymond Building, NSBD, Ningbo, Zhejiang, China; No. 108, Kaijia Road, Yaobei Industrial Zone, Yuyao, Ningbo, Zhejiang, China; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 09 Oct 2010; Unified Social Credit Code (USCC) 91330204561293923J (China) [NPWMD] [IFSR] (Linked To: PISHGAM ELECTRONIC SAFEH COMPANY).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, PISHGAM ELECTRONIC SAFEH COMPANY.

7. HK HESIN INDUSTRY CO LIMITED (Chinese Traditional: 香港赫新實業有限公司), Room 1303, 13/F, Cheong Tai Building, No. 287-289 Reclamation Street, Kowloon, Hong Kong, China; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 19 Dec 2025; Business Registration Number 79441310 (Hong Kong) [NPWMD] [IFSR] (Linked To: CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION.

8. HONG KONG BLUE OCEAN LIMITED (Chinese Simplified: 香港藍海有限公司), Hong Kong, China; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 21 Feb 2025; Business Registration Number 77740261 (Hong Kong) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

9. HONG KONG SANMU LIMITED, Flat 1019B, 10/F, Liven House No. 61-63 King Yip Street, Hong Kong, China; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 08 Dec 2022; Business Registration Number 74680616 (Hong Kong) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

10. JIANDI HK LIMITED (Chinese Simplified: 監地香港有限公司), Hong Kong, China; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 06 Mar 2024; Business Registration Number 76275900 (Hong Kong) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

11. MAX HONOR INTERNATIONAL TRADE CO., LIMITED, Unit 26 of Factory A on 5th Floor, Union Iing Yip Factory Building, No. 20 Iing Yip Street, Hong Kong, China; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 20 Jan 2023; Business Registration Number 74792613 (Hong Kong) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

12. MUSTAD LIMITED, Rm 1506, 15/F, Cheung Fung Commercial Bldg., 21-25 Cheung Sha Wan Road, Sham Shui Po, Kowloon, Hong Kong, China; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 08 Oct 2024; Business Registration Number 77151111 (Hong Kong) [NPWMD] [IFSR].

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

13. OCEAN ALLIANZ SHIPPING LLC (Arabic: أوشن اليانز للشحن ذ م م), Office OFF2-RF, Parcel 353-1869, Al Safa First, Bur Dubai, Dubai, United Arab Emirates; Burlington Tower, 802, Business Bay, Bur Dubai, Dubai, United Arab Emirates; Website <https://www.oceanallianz.com>; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 02 Oct 2018; License 815724 (United Arab Emirates); Economic Register Number (CBLS) 11318398 (United Arab Emirates) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

14. UNIVERSAL FORTUNE TRADING LLC (Arabic: يونورال فورتن للتجارة ذ م م), Office No 204-12, Al Murar, Deira, Dubai, United Arab Emirates; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 12 Aug 2022; License 1088893 (United Arab Emirates); Chamber of Commerce Number 413426 (United Arab Emirates); Economic Register Number (CBLS) 11925055 (United Arab Emirates) [SDGT] [IFSR] (Linked To: NATIONAL IRANIAN OIL COMPANY).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the NATIONAL IRANIAN OIL COMPANY.

15. YUSHITA SHANGHAI INTERNATIONAL TRADE CO LIMITED (Chinese Simplified: 昱思达上海国际贸易有限公司), Unit 1004, 10th Floor, No. 698 Runchuan Road/No. 5788 Chuansha Road, Pudong New Area, Shanghai, China; Room 1315, Block A, Greenland East Coast International Plaza, No. 581 Xiuchuan Road, Chuansha Town, Shanghai, China; Unit 904, 9th Floor, No. 698 Runchuan Road/No. 5788 Chuansha Road, Pudong New Area, Shanghai, China; Additional Sanctions Information - Subject to Secondary Sanctions; Organization Established Date 08 Dec 2011; Unified Social Credit Code (USCC) 91310115586820144H (China) [NPWMD] [IFSR] (Linked To: CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION).

Designated pursuant to section 1(a)(iii) of E.O. 13382 for having provided, or attempted to provide, financial, material, technological or other support for, or goods or services in support of, CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION.

16. ZEUS LOGISTICS GROUP (Arabic: مجموعة زويس اللوجستية), Al Qurm, Muscat, Oman; Secondary sanctions risk: section 1(b) of Executive Order 13224, as amended by Executive Order 13886; Organization Established Date 08 Jan 2017; Registration Number 1283041 (Oman) [SDGT] [IFSR] (Linked To: ISLAMIC REVOLUTIONARY GUARD CORPS).

Designated pursuant to section 1(a)(iii)(C) of E.O. 13224 as amended, for having materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, the ISLAMIC REVOLUTIONARY GUARD CORPS.

On May 8, 2026, OFAC published the following revised information for the entry on the SDN List for the following person blocked under the relevant sanctions authority authority listed below.

Entity

1. CENTER FOR INNOVATION AND TECHNOLOGY COOPERATION (a.k.a. CENTER FOR PROGRESS AND DEVELOPMENT OF IRAN; a.k.a. OFFICE OF SCIENTIFIC AND INDUSTRIAL STUDIES; a.k.a. OFFICE OF SCIENTIFIC AND TECHNICAL COOPERATION; a.k.a. OSIS; a.k.a. PRESIDENCY OFFICE OF SCIENTIFIC AND INDUSTRIAL STUDIES; a.k.a. TECHNOLOGY COOPERATION OFFICE; a.k.a. "CITC"; a.k.a. "CPDI"; a.k.a. "POSIS"; a.k.a. "TCO"), No 7 East Avesta Rd, Sheykh Bahaie Street, Sheykh Bahaie Sq, Tehran 1995859611, Iran; PO Box 141554671, Tehran, Iran; Additional Sanctions Information—Subject to Secondary Sanctions; Organization Established Date 01 Jan 1983 to 31 Dec 1984; Target Type Government Entity; National ID No. 14002821290 (Iran) [NPWMD] [IFSR].

Designated pursuant to section 1(a)(ii) of E.O. 13382 for having engaged, or attempted to engage, in activities or transactions that have materially contributed to, or pose a risk of materially contributing to, the proliferation of weapons of mass destruction or their means of delivery (including missiles capable of delivering such weapons), including any efforts to manufacture, acquire, possess, develop, transport, transfer or use such items, by any person or foreign country of proliferation concern.

(Authority: E.O. 13224, as amended; E.O. 13882.)

Bradley T. Smith,

Director, Office of Foreign Assets Control.
[FR Doc. 2026-09758 Filed 5-14-26; 8:45 am]

BILLING CODE 4810-AL-C

DEPARTMENT OF VETERANS AFFAIRS

[OMB Control No. 2900-0793]

Agency Information Collection Activity: VA Health Professional Scholarship Programs (HPSP, VIOMPSP)

AGENCY: Veterans Health Administration, Department of Veterans Affairs.

ACTION: Notice.

SUMMARY: Veterans Health Administration (VHA), Department of Veterans Affairs (VA), is announcing an opportunity for public comment on the proposed collection of certain information by the agency. Under the Paperwork Reduction Act (PRA) of 1995, Federal agencies are required to publish a notice in the **Federal Register** concerning each proposed collection of information, including each proposed extension of a currently approved collection, and allow 60 days for public comment in response to the notice.

DATES: Comments must be received on or before July 14, 2026.

ADDRESSES: Comments must be submitted through www.regulations.gov

FOR FURTHER INFORMATION CONTACT:

Program-specific information: Rebecca Mimmall, 202-695-9434, vhacopra@va.gov.

VA PRA information: Dorothy Glasgow, 202-461-1084, VAPRA@va.gov.

SUPPLEMENTARY INFORMATION: Under the PRA of 1995, Federal agencies must obtain approval from the Office of Management and Budget (OMB) for each collection of information they conduct or sponsor. This request for comment is being made pursuant to Section 3506(c)(2)(A) of the PRA.

With respect to the following collection of information, VHA invites comments on: (1) whether the proposed collection of information is necessary for the proper performance of VHA's functions, including whether the information will have practical utility; (2) the accuracy of VHA's estimate of the burden of the proposed collection of information; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or the use of other forms of information technology.

Title: VA Health Professional Scholarship Programs (HPSP, VIOMPSP)—VA Forms 10-0491, 10-0491c-e, 10-0491g-k.

OMB Control Number: 2900-0793. <https://www.reginfo.gov/public/do/PRAsearch> (Once at this link, you can enter the OMB Control Number to find the historical versions of this Information Collection).

Type of Review: Reinstatement with change of a previously approved collection.

Abstract: The VA Health Professional Scholarship Program (HPSP) and Visual Impairment and Orientation and Mobility Professionals Scholarship Program (VIOMPSP) were authorized under Public Law (Pub. L.) 111-163 on May 5, 2010, and extended through December 31, 2033, by Section 301 of Public Law 115-182, VA Mission Act of 2018. These programs help address health care workforce needs and allow VA to provide services to the public by awarding scholarships to VA and non-VA employees, who will be required to become VA employees, in the professions for which they were educated under these programs. This information collection is necessary for VA to determine an applicant's eligibility to receive a scholarship award and compliance with program requirements.

1. Academic Verification, VA Form 10-0491.
2. Annual VA Employment or Deferment Verification, VA Form 10-0491c.
3. Obligated Service, VA Form 10-0491d.
4. Evaluation and Recommendation Form, VA Form 10-0491e.
5. Application, VA Form 10-0491g.
6. Notice of Expected Graduation, VA Form 10-0491h.
7. Notice of Change, VA Form 10-0491i.
8. Request for Deferment, VA Form 10-0491j.
9. VA Scholarship Offer Response, VA Form 10-0491k.

Each program uses the forms in this collection for the applications, verifications, recommendations, etc.,

necessary to meet scholarship award requirements. The forms have been updated to clarify instructions and add required PRA language. There is an overall increase in the estimated number of respondents (applicants) and burden hours based upon program data. However, two pilot scholarship programs and two associated forms have been removed from the collection, as the pilot programs have ended since the last PRA clearance.

Total Annual Number of Responses = 2,050.

Total Annual Time Burden = 8,017 hours.

HPSP

Affected Public: Individuals or Households.

Estimated Annual Burden: 7,809 hours.

Estimated Average Burden per Respondent: 3.905 hours.

Frequency of Response: Once annually.

Estimated Number of Responses: 2,000.

VIOMPSP

Affected Public: Individuals or Households.

Estimated Annual Burden: 208 hours.

Estimated Average Burden per Respondent: 4.15 hours.

Frequency of Response: Once annually.

Estimated Number of Responses: 50.

(Authority: 44 U.S.C. 3501 *et seq.*)

Lanea Haynes,

Alternate, VA PRA Clearance Officer, Office of Information Technology, Data Governance Analytics, Department of Veterans Affairs.

[FR Doc. 2026-09777 Filed 5-14-26; 8:45 am]

BILLING CODE 8320-01-P



FEDERAL REGISTER

Vol. 91

Friday,

No. 94

May 15, 2026

Part II

Securities and Exchange Commission

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Concerning the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105445; File No. SR–MEMX–2026–11]

Self-Regulatory Organizations; MEMX LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Establish Fees for Industry Members Related to Certain Historical Costs of the National Market System Plan Concerning the Consolidated Audit Trail

May 12, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 27, 2026, MEMX LLC (“MEMX” or the “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items II and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange is filing with the Commission a proposed rule change to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled

“Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the

Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Rule 4.5(u). See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule. See Rule 4.5.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSSs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSSs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each

Historical CAT Assessment."¹⁵

Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBSS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if order ID is provided.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Release No. 100947 (September 5, 2024), 89 FR 74580 (September 12, 2024) (SR-MEMX-2024-34).

¹⁸ See Securities Exchange Act Release No. 100826 (August 27, 2024), 89 FR 71547 (September 3, 2024) (SR-MEMX-2024-33).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23-13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025-4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding

Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be

counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be

responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting

share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Securities Exchange Act Release No. 100947 (September 5, 2024), 89 FR 74580 (September 12, 2024) (SR-MEMX-2024-34).

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent

services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid)

(\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs*	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT,

Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay

FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Securities Exchange Act Release No. 100947 (September 5, 2024), 89 FR 74580 (September 12, 2024) (SR–MEMX–2024–34).

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs

relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

“CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is expected that the Central Repository

will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴² for the successor Plan Processor role.

The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized

expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA’s detailed proposal in response to CATLLC’s recent inquiries; and

d. FINRA’s data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t)

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via

loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees

incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g.,

Continued

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the

CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and

developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee

reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its

analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a

consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance

Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and

financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the

⁵¹ Section 9.2 of the CAT NMS Plan.

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications

services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the

formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	481,687
Consulting	137,209
Insurance .....	.....
Professional and administration	69,077

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan

Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event

timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by

CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of

\$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and

- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public

relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones (“FAM Period 2”),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2**
Capitalized Developed Technology Costs*	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	\$42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

- (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information,

CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were “appropriately excluded,” such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services,

databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of

the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20–12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the development and implementation of the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the

use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial

Accountability Milestone amendment, FAQs and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);

- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates

for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;

- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant

Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones (“FAM Period 3”),⁶¹ which covers the period from January 1, 2021—December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and

simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully

implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period.

Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21/ to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

- Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
 - Provided support in discussions with the Participants and the SEC and its staff;
 - Operated the FINRA CAT Helpdesk;
 - Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
 - Administered the CAT website and all of its content; and
 - Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2)

costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;
- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the “2020 Orders”).

FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model

and assistance with loans and the CAT bank account for CAT funding;

- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

• Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;

• Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and

• Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC

determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would

remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
Technology Costs:	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development

stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;

- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(III)(C) of the CAT NMS Plan.

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that “Historical CAT Assessments are

⁸¹ Section 11.3(b)(iii)(B)(III)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(III)(A) of the CAT NMS Plan.

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

designed to recover two-thirds of the Historical CAT Costs.”⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A

is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until

\$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the

Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure to Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3)

by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBBS with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023-02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the

CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM

Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders

and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as: the point at which: (a) Industry Member reporting

(excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order’s lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰

- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and

- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for

purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is

displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include

electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;
- "LTID Account Information Reporting Go-Live for Phases 2a, 2b and

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the

CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they

will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for

purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS

Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group." Similarly, Direct Edge suggested that Commission staff should form and engage in a

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission's initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the

SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two

rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective

approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow

to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC,

WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include

consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide

the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support

and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

(b) CAT Was Designed to Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private

network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels

of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of

the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling likes release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition,

the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT.

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would

remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴ If the CAT Funding Model had existed

on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with

initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC,

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions

are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably

budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (i.e., repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related

to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other

7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have

been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The

Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See 15 U.S.C. 78f(b)(1).

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating

costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.²²⁸

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023)

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*,

management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of

(describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II),

3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the

costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial

advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count

executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (*e.g.*, the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical

CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (*e.g.*, \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members,

such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the

potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Not applicable.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act²⁷⁶ and Rule 19b-4(f)(2)²⁷⁷ thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

²⁷³ CAT Funding Model Approval Order at 13479–13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

²⁷⁷ 17 CFR 240.19b-4(f)(2).

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-MEMX-2026-11 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-MEMX-2026-11. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should

submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-MEMX-2026-11 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁸

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026-09728 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

²⁷⁸ 17 CFR 200.30-3(a)(12).



FEDERAL REGISTER

Vol. 91

Friday,

No. 94

May 15, 2026

Part III

Securities and Exchange Commission

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105462; File No. SR–ISE–2026–20]

Self-Regulatory Organizations; Nasdaq ISE, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 12, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 27, 2026, Nasdaq ISE, LLC (“ISE” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT

Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/ise/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding

model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Rule General 7, Section 1. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each

Historical CAT Assessment."¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction. This must be provided if orderID is provided.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Rel. No. 100951 (Sep. 5, 2024), 89 FR 74730 (Sep. 12, 2024) ("Historical CAT Assessment 1 Filing").

¹⁸ See Rule General 7A(a)(1).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1 were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT

Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing

Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party.	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be

counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical

CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf (“CAT Reporting Technical Specifications for Plan Participants”).

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the

Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Historical CAT Assessment 1 Filing, *supra* note 17.

(6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this

cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by the cloud services provider for the CAT,

Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay

FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS, LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted,

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Historical CAT Assessment 1 Filing, *supra* note 17.

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology

costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the

requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

both entities are referred to generally as “CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is expected that the Central Repository

will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴²

for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA’s detailed proposal in response to CATLLC’s recent inquiries; and

d. FINRA’s data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via

loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;

- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT,

but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage

external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as

well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of

similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and

governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and

financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the

⁵¹ Section 9.2 of the CAT NMS Plan.

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications

services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the

formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	481,687
Consulting	137,209
Insurance .....	.....
Professional and administration	69,077

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan

Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event

timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by

CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of

\$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and

- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public

relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2
Capitalized Developed Technology Costs *	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

- (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information,

CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services,

databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of

the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20–12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the development and implementation of the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the

use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial

Accountability Milestone amendment, FAQs and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);

- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates

for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;

- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant

Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones (“FAM Period 3”),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and

simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully

implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period.

Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

⁶³ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2)

costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;
- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the “2020 Orders”).

FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model

and assistance with loans and the CAT bank account for CAT funding;

- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

• Worked with and provided support to the Operating Committee and various CAT working groups;

• Prepared monthly, quarterly and annual financial statements;

• Supported the annual financial statement audits by an independent auditor;

• Reviewed historical costs from inception; and

• Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC

determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs related to Conclusion of Relationship with Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would

remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017—November 15, 2018 *
Capitalized Developed Technology Costs *	\$37,852,083
Technology Costs:	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as

defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including

governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;

- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;

- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.0000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that “Historical CAT Assessments are

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

designed to recover two-thirds of the Historical CAT Costs.”⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A

is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that:

Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until

\$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the

Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3)

by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBBS with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023-02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the

CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM

Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders

and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order’s lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰

- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and

- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for

purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is

displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include

electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;
- "LTID Account Information Reporting Go-Live for Phases 2a, 2b and

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the

CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they

will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for

purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS

Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFT") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group." Similarly, Direct Edge suggested that Commission staff should form and engage in a

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission's initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the

SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two

rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective

approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow

to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC,

WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include

consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide

the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support

and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private

network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels

of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of

the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling likes release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition,

the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT.

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would

remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴ If the CAT Funding Model had existed

on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with

initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC,

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions

are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably

budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (i.e., repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related

to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other

7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have

been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The

Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating

costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.²²⁸

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023)

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*,

management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of

(describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II),

3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the

costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial

advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count

executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (*e.g.*, the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical

CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (*e.g.*, \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC’s decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members,

such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the

potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁷⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-ISE-2026-20 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to file number SR-ISE-2026-20. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should

submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-ISE-2026-20 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁷

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026-09741 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

²⁷⁷ 17 CFR 200.30-3(a)(12).



FEDERAL REGISTER

Vol. 91

Friday,

No. 94

May 15, 2026

Part IV

Securities and Exchange Commission

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105461; File No. SR–GEMX–2026–17]

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 12, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 27, 2026, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT

Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/gemx/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding

model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Rule General 7, Section 1. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each

Historical CAT Assessment."¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Rel. No. 100944 (Sep. 5, 2024), 89 FR 75346 (Sep. 13, 2024) ("Historical CAT Assessment 1 Filing").

¹⁸ See Rule General 7A(a)(1).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1

were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			This must be provided if orderID is provided ...	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party.	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options

(i.e., 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in

the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim

period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Historical CAT Assessment 1 Filing, *supra* note 17.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs,

(2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding

Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for ePre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent

costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT,

particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS,

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Historical CAT Assessment 1 Filing, *supra* note 17.

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as

development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is

expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged

in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA’s detailed proposal in response to CATLLC’s recent inquiries; and

d. FINRA’s data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;

- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland").

Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT

was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from

November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and

- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A

variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA

as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate

entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase

⁵¹ Section 9.2 of the CAT NMS Plan.

market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services.

The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1**
Capitalized Developed Technology Costs*	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	\$481,687
Consulting	137,209

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1**
Insurance .....	.....
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-

FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after

substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not

contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;

- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other

things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS

Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBSSs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs:</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters)

for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage,

inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system,

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT,

including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20—12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;

- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long

history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
 - Facilitated bill payments;
 - Provided monthly bookkeeping;
 - Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC

continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding

such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs*	\$10,763,372
<i>Technology Costs</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the

following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶² As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation,

including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)-(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance

testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21/to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services

agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the “2020 Orders”).

the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C.

Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings

and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and

financial budgets, including budget to actual fluctuation analyses;

- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain

responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial

Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred

during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;

- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating

communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

\$19,482,427.67, and CEBBS collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a

fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all

transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that “Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs.”⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT

Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by

multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan

Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6

of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

- Manual and Electronic Capture Time for Manual Order Events;
- Special handling instructions for the original receipt or origination of an order during Phase 2a; and
- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains

both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full

Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order’s lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth

in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBSSs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as:

the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options

transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an

Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an

order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was

available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none

of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As

amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the

Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently

establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption

were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection

Continued

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to

of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including

the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection

Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the

minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed

approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services

were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to

CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute

services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework

that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the

Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical

Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example,

DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal

services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16,

2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission

recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives

were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis

since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (i.e., repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

self-regulatory organizations independent of CAT; and

- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying

trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees To Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant

to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT

LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to

the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its

statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBSS are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are

reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply

with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶

Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²² *Id.*

Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT

Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs

for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II), 3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services

were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to

assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed

equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated

pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan.

Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁷⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-GEMX-2026-17 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.
- All submissions should refer to file number SR-GEMX-2026-17. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish

to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-GEMX-2026-17 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁷

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2026-09740 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

²⁷⁷ 17 CFR 200.30-3(a)(12).



FEDERAL REGISTER

Vol. 91

Friday,

No. 94

May 15, 2026

Part V

Securities and Exchange Commission

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105453; File No. SR–PHLX–2026–26]

Self-Regulatory Organizations; Nasdaq PHLX LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 12, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 27, 2026, Nasdaq PHLX LLC (“Phlx” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT

Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/phlx/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding

model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Rule General 7, Section 1. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBSS is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBSS (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b)

of the Exchange Act a filing for each Historical CAT Assessment."¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBSS for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Rel. No. 100954 (Sep. 5, 2024), 89 FR 75396 (Sep. 13, 2024) ("Historical CAT Assessment 1 Filing").

¹⁸ See Rule General 7A(a)(1).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1

were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options

(i.e., 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in

the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim

period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Historical CAT Assessment 1 Filing, *supra* note 17.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs,

(2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding

Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (Prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent

costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT,

particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS,

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Historical CAT Assessment 1 Filing, *supra* note 17.

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as

development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is

expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/ 29/19 to 4/12/ 20*	Date range: 4/ 13/20 to 6/21/ 20**
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

c. FINRA's detailed proposal in response to CATLLC's recent inquiries; and

d. FINRA's data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting

scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;
- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and

Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland"). Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate,

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT. During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the

Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;

- Analyzed the SEC’s amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and
- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the “Reporter Agreement”). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC’s efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP (“Deloitte”) as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting

facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm’s qualifications, resources, and expertise; (2) the firm’s relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte’s fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte’s performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant’s independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;

- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;

- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;

- Provided support for updating the SEC on the progress of the development of the CAT;

- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;

- Coordinated efforts regarding the selection of the successor Plan Processor;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and

- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost

comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;

- Provided cash management and treasury functions;

- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;

- Prepared tax returns;

- Addressed various accounting, financial and operating inquiries from Participants;

- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;

- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;

- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;

- Supported the annual financial statement audits by an independent auditor;

- Reviewed historical costs from inception; and

- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an

⁵¹ Section 9.2 of the CAT NMS Plan.

agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly,

the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public

relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services. The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs:	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
CAIS Operating Fees	254,998
Change Request Fees	
Legal	481,687
Consulting	137,209
Insurance	
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services

provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff,

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding CAT technical specifications;

- Assisted with third-party vendor agreements; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;

- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating

communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020–December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs:</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data

described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud

services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

Date range: 8/1/20–12/31/20	
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry

Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee

rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT

NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin.

CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;

- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton.

CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the

CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as

well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior

Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT’s activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁶³ See definition of “Full Availability and Regulatory Utilization of Transactional Database Functionality” in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Provided assistance with change requests;

- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;

- Assisted with communications with the industry, including CAT Alerts and presentations;

- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;

- Assisted with cost management analysis and proposals; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

SEC's October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among

other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution.

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the "2020 Orders").

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs (“Excluded Costs”): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related

to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded Costs for November 15, 2017—November 15, 2018*
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry

Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale

⁶⁹In approving the CAT Funding Model, the Commission states that “the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission’s view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor.” CAT Funding Model Approval Order at 13450.

provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin.

From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's

performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24

months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that "Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs."⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and "would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect." Proposed paragraph (a)(2)(B) of the fee schedule would state that "Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis." In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees "each month."

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, "[n]otwithstanding the length of the

Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected."⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for "Consolidated Audit Trail Funding Fees", and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall

receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer ("CEBB") and/or the CAT Executing Broker for the Seller ("CEBS") (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected." CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for

Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from

such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that:

Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the

Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member's system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member's system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

- When routing an order, whether the order was routed as an intermarket sweep order ("ISO").

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)" was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information" was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is "consistent with the functionality that the Participants describe on the CAT NMS Plan website as 'Production Go-Live for Options 2b file submission and data integrity validations.'" ¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option

orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member's order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that "Interim Step: Production Go-Live for Options 2b file submission and data integrity validations" was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of "options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information" was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above,

are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines "Full Implementation of Core Equity Reporting" as: the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants' Quarterly Progress Reports. As indicated by the Participants' Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order's lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT

LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding

via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository”

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA’s Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time;

(13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System (“OMS”)—Execution Management System (“EMS”) scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an “interdealer quotation system,” as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. “Phase 2d Industry Member Data” is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e

Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter’s order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter’s order handling and execution system (*e.g.*,

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

¹¹⁹ *Id.*

quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that “Phase 2a was fully implemented as of October 26, 2020;” “Phase 2b was fully implemented as of January 4, 2021;” “Phase 2c was implemented as of April 26, 2021;” and “Phase 2d was fully implemented as of December 13, 2021.”¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- “Production Go-Live for Equities 2c reporting requirements (Large Industry Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was

less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third

(\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are

availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal

Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan expressly contemplates the Commission’s ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to

the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as “plan sponsors”), and between the Participants and Industry Members (referred to as “members of the plan sponsors”).¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan (“Pre-Formation Costs”) were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The

Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC’s adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal (“RFP”)

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC’s adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC’s website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested “that the SROs should

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan (“[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.”)

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

In this regard, several commenters suggested that the Commission undergo a RFP or request for information (“RFI”) process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process “to determine the best technical solution for developing a consolidated audit trail.” FIF suggested that the Commission “should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable

approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which

bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will

select the processor through a ‘request for proposal.’” Rule 613 Adopting Release at 45785.

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is

consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several

amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and

- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements,

and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly,

Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly

defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.
- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.
- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.
- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵
- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.
- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and

implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission's interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay

in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that "the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor," and that "the process set forth in the Selection Plan should be permitted to continue."¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the

selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that "SIFMA looks forward to commencing work with the SROs and Thesys."¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that "[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members."¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that "the reasonably budgeted CAT costs shall include . . . CAIS operating fees."¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings "a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees."¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.

- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.

- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in

terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . .

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to

the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades*: Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records*: Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification*: Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC

provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade

Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for

many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details

schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its

facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed

Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed

technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated

costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services

provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests

are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan

²³¹ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it is appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of

issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate

to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800-53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market

participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that

such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for

Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose

any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁷⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PHLX-2026-26 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.
- All submissions should refer to file number SR-PHLX-2026-26. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use

only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR-PHLX-2026-26 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁷

J. Matthew DeLesDernier,

Deputy Secretary.

[FR Doc. 2026-09736 Filed 5-14-26; 8:45 am]

BILLING CODE 8011-01-P

²⁷⁷ 17 CFR 200.30-3(a)(12).



FEDERAL REGISTER

Vol. 91

Friday,

No. 94

May 15, 2026

Part VI

Securities and Exchange Commission

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105454; File No. SR–NASDAQ–2026–038]

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 12, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 27, 2026, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding

Fees.” The fee rate for Historical CAT Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding

model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Rule General 7, Section 1. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b) of the Exchange Act a filing for each

Historical CAT Assessment."¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/ 13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Rel. No. 100950 (Sep. 5, 2024), 89 FR 74680 (Sep. 12, 2024) ("Historical CAT Assessment 1 Filing").

¹⁸ See Rule General 7A(a)(1).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1

were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0-r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party.	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options

(i.e., 100 executed equivalent shares or such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in

the filing for Historical CAT Assessment 1, Participants collectively will remain responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim

period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Historical CAT Assessment 1 Filing, *supra* note 17.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs,

(2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding

Excluded Costs (described further below). Historical CAT Costs 1 would include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

	Operating expense	Historical CAT costs 1 for Pre-FAM Period (Prior to June 22, 2020) **
Capitalized Developed Technology Costs *		\$51,847,150
Technology Costs		33,568,579
Cloud Hosting Services		10,268,840
Operating Fees		21,085,485
CAIS Operating Fees		2,072,908
Change Request Fees		141,346
Legal		19,674,463
Consulting		17,013,414
Insurance		880,419
Professional and administration		1,082,036
Public relations		224,669
Total Operating Expenses		124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent

costs incurred for services provided by the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT,

particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT's subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm's length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS,

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Historical CAT Assessment 1 Filing, *supra* note 17.

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as

development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is

expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged

in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA’s detailed proposal in response to CATLLC’s recent inquiries; and

d. FINRA’s data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;

- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland").

Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT

was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from

November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and

- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A

variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA

as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate

entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase

⁵¹ Section 9.2 of the CAT NMS Plan.

market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services.

The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020—July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Capitalized Developed Technology Costs *	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	481,687
Consulting	137,209

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1 **
Insurance .....	.....
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

%	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan

Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event

timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by

CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of

\$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups; and

- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS Plan). As discussed above, such public

relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020—December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
Technology Costs	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

- (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information,

CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services,

databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of

the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20–12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the development and implementation of the security of the CAT;

- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;

- Provided support in discussions with the Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;

- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the

use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial

Accountability Milestone amendment, FAQs and technical specifications;

- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;

- Drafted SRO rule filings related to the CAT Compliance Rule;

- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;

- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;

- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);

- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates

for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;

- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC continued to believe that Grant

Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting

on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones (“FAM Period 3”),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 3**
Capitalized Developed Technology Costs *	\$10,763,372
Technology Costs	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and

simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶² As discussed above, with respect to certain costs that were “appropriately excluded,” such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully

implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 3 Period.

Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to

Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

⁶³ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2)

costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;

- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;
- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the “2020 Orders”).

FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model

and assistance with loans and the CAT bank account for CAT funding;

- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

• Worked with and provided support to the Operating Committee and various CAT working groups;

• Prepared monthly, quarterly and annual financial statements;

• Supported the annual financial statement audits by an independent auditor;

• Reviewed historical costs from inception; and

• Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC

determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs related to the arbitration with the Initial Plan Processor. The Participants would

remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 Through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as

defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating

Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;

- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;

- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that “Historical CAT Assessments are

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

designed to recover two-thirds of the Historical CAT Costs.”⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A

is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until

\$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan Processor has established a billing system for CAT fees.⁹³ Therefore, the

Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure To Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3)

by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBBS with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

⁹³ The billing process and system are described in CAT Alert 2023-02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT

Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6 of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the

CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM

Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

- Manual and Electronic Capture Time for Manual Order Events;

- Special handling instructions for the original receipt or origination of an order during Phase 2a; and

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders

and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order’s lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰

- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and

- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for

purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as: the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the

Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is

displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include

electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry Members)" was completed on April 26, 2021;
- "LTID Account Information Reporting Go-Live for Phases 2a, 2b and

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the

CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none of the circumstances related to NIA Electronic RFQ Responses, the 2023

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they

will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for

purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system.” 17 CFR 242.608(e).

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS

Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFT") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and other technical requirements to [an] industry working group." Similarly, Direct Edge suggested that Commission staff should form and engage in a

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission's initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the

SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two

rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective

approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow

to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted two extensions of this deadline.¹⁶³ The

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC,

WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include

consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide

the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support

and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private

network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels

of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³ CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions,

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example, DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to

labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires

Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT.

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would

remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴ If the CAT Funding Model had existed

on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
- The full, final CAIS Technical Specifications were published on January 29, 2021.
- Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²

As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with

initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC,

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions

are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably

budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (e.g., exchange trade journals/ acknowledgements) and data sources of self-regulatory organizations independent of CAT; and
- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT

¹⁹⁸ See, e.g., NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (i.e., repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related

to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other

7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have

been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The

Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

²²² *Id.*

above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating

costs for the CAT would range from \$36.5 million to \$55 million.²²⁶ Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing reasonableness of the CAT’s costs and the level of fees assessed to support those costs.²²⁸

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023)

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*, management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (*e.g.*,

management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC, Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of

(describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II),

3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The services performed by Deloitte and the

costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as well as other potential financial

advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

The professional and administrative costs also include costs related to a third

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by counting executed equivalent shares in the same manner as it will count

executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (*e.g.*, the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical

CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (*e.g.*, \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC’s decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members,

such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan. Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the

potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁷⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–NASDAQ–2026–038 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–NASDAQ–2026–038. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange. Do not include personal identifiable information in submissions; you should

submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–NASDAQ–2026–038 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁷

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026–09737 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

²⁷⁷ 17 CFR 200.30–3(a)(12).



FEDERAL REGISTER

Vol. 91

Friday,

No. 94

May 15, 2026

Part VII

Securities and Exchange Commission

Self-Regulatory Organizations; Nasdaq Texas, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail; Notice

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–105451; File No. SR–NasdaqTX–2026–019]

Self-Regulatory Organizations; Nasdaq Texas, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change To Establish Fees Related to Certain Historical Costs of the National Market System Plan Governing the Consolidated Audit Trail

May 12, 2026.

Pursuant to Section 19(b)(1) under the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b–4 thereunder,² notice is hereby given that on April 27, 2026, Nasdaq Texas, LLC (“Nasdaq Texas” or “Exchange”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of the Substance of the Proposed Rule Change

The Exchange proposes to establish fees for Industry Members³ related to certain historical costs of the National Market System Plan Governing the Consolidated Audit Trail (the “CAT NMS Plan” or “Plan”) incurred prior to January 1, 2022 that were not previously invoiced via Historical CAT Assessment 1. Industry Members were previously invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Historical CAT Assessment 1 is no longer in effect. Historical CAT Assessment 1A is being established to collect the remaining \$38,964,855.34 of Historical CAT Costs 1. These fees would be payable to Consolidated Audit Trail, LLC (“CAT LLC” or “the Company”)⁴ and referred to as Historical CAT Assessment 1A, and would be described in a section of the Exchange’s fee schedule entitled “Consolidated Audit Trail Funding Fees.” The fee rate for Historical CAT

Assessment 1A will be \$0.000002 per executed equivalent share. CAT Executing Brokers will receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 calculated based on their transactions as CAT Executing Brokers for the Buyer (“CEBB”) and/or CAT Executing Brokers for the Seller (“CEBS”) in May 2026.

The text of the proposed rule change is available on the Exchange’s website at <https://listingcenter.nasdaq.com/rulebook/nasdaqtx/rulefilings>, and at the principal office of the Exchange.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

On July 11, 2012, the Commission adopted Rule 613 of Regulation NMS, which required the self-regulatory organizations (“SROs”) to submit a national market system (“NMS”) plan to create, implement and maintain a consolidated audit trail that would capture customer and order event information for orders in NMS securities across all markets, from the time of order inception through routing, cancellation, modification or execution.⁵ On November 15, 2016, the Commission approved the CAT NMS Plan.⁶ Under the CAT NMS Plan, the Operating Committee has the discretion to establish funding for CAT LLC to operate the CAT, including establishing fees for Industry Members to be assessed by CAT LLC that would be implemented on behalf of CAT LLC by the Participants.⁷ On September 5, 2025, CAT LLC proposed a revised funding

model to fund the CAT (“CAT Funding Model”).⁸ On March 16, 2026, the Commission approved the CAT Funding Model, after concluding that the model satisfied the requirements of Section 11A of the Exchange Act and Rule 608 thereunder.⁹

The CAT Funding Model provides a framework for the recovery of the costs to create, develop and maintain the CAT, including providing a method for allocating costs to fund the CAT among Participants and Industry Members. The CAT Funding Model establishes two categories of fees: (1) CAT fees assessed by CAT LLC and payable by certain Industry Members to recover a portion of historical CAT costs previously paid by the Participants (“Historical CAT Assessment” fees); and (2) CAT fees assessed by CAT LLC and payable by Participants and Industry Members to fund prospective CAT costs (“Prospective CAT Costs” fees).¹⁰

Under the CAT Funding Model, “[t]he Operating Committee will establish one or more fees (each a ‘Historical CAT Assessment’) to be payable by Industry Members with regard to CAT costs previously paid by the Participants (‘Past CAT Costs’).”¹¹ In establishing a Historical CAT Assessment, the Operating Committee will determine a “Historical Recovery Period” and calculate a “Historical Fee Rate” for that Historical Recovery Period. Then, for each month in which a Historical CAT Assessment is in effect, each CEBB and CEBS would be required to pay the fee—the Historical CAT Assessment—for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of

⁸ Securities Exchange Act Rel. No. 103960 (Sept. 12, 2025), 90 FR 44910 (Sept. 17, 2025).

⁹ Securities Exchange Act Rel. No. 105003 (Mar. 16, 2026), 91 FR 13410 (Mar. 29, 2026) (“CAT Funding Model Approval Order”). This CAT Funding Model replaced the prior funding model that was approved by the Commission on September 6, 2023. Securities Exchange Act Rel. No. 98290 (Sept. 6, 2023), 88 FR 62628 (Sept. 12, 2023).

¹⁰ Under the CAT Funding Model, the Operating Committee may establish one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan. This filing only establishes Historical CAT Assessment 1A related to certain Historical CAT Costs as described herein; it does not address any other potential Historical CAT Assessment related to other Historical CAT Costs. In addition, under the CAT Funding Model, the Operating Committee also may establish CAT Fees related to CAT costs going forward. Section 11.3(a) of the CAT NMS Plan. This filing does not address any potential CAT Fees related to CAT costs going forward. Any such other fee for any other Historical CAT Assessment or CAT Fee for Prospective CAT Costs will be subject to a separate fee filing.

¹¹ Section 11.3(b) of the CAT NMS Plan.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b–4.

³ An “Industry Member” is defined as “a member of a national securities exchange or a member of a national securities association.” See Rule General 7, Section 1. See also Section 1.1 of the CAT NMS Plan. Unless otherwise specified, capitalized terms used in this rule filing are defined as set forth in the CAT NMS Plan and/or the CAT Compliance Rule.

⁴ The term “CAT LLC” may be used to refer to Consolidated Audit Trail, LLC or CAT NMS, LLC, depending on the context.

⁵ Securities Exchange Act Rel. No. 67457 (July 18, 2012), 77 FR 45721 (Aug. 1, 2012) (“Rule 613 Adopting Release”).

⁶ Securities Exchange Act Rel. No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (“CAT NMS Plan Approval Order”).

⁷ Section 11.1(b) of the CAT NMS Plan.

executed equivalent shares in the transaction by one-third and by the Historical Fee Rate.¹²

Each Historical CAT Assessment to be paid by CEBBs and CEBs is designed to contribute toward the recovery of two-thirds of the Historical CAT Costs. Because the Participants previously have paid Past CAT Costs via loans to the Company, the Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made by the Participants to the Company on a pro rata basis based on the outstanding loan amounts due under the loans, instead of through the payment of a CAT fee.¹³ In addition, the Participants also will be 100% responsible for certain Excluded Costs (as discussed below).

CAT LLC proposes to charge CEBBs and CEBs (as described in more detail below) Historical CAT Assessment 1A to recover certain historical CAT costs incurred prior to January 1, 2022, in accordance with the CAT Funding Model. To implement this fee on behalf of CAT LLC, the CAT NMS Plan requires the Participants to "file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves, and such fees shall be labeled as 'Consolidated Audit Trail Funding Fees.'" ¹⁴ The Plan further states that "Participants will be required to file with the SEC pursuant to Section 19(b)

of the Exchange Act a filing for each Historical CAT Assessment."¹⁵ Accordingly, the purpose of this filing is to implement a Historical CAT Assessment on behalf of CAT LLC for Industry Members, referred to as Historical CAT Assessment 1A, in accordance with the CAT NMS Plan.¹⁶

The Exchange, along with the other Participants in the CAT, previously filed a fee filing to implement Historical CAT Assessment 1.¹⁷ Based on the fee filing for Historical CAT Assessment 1, Historical CAT Assessment 1 was expected to be in effect from the first invoice in November 2024 until \$212,039,879.34 (two-thirds of Historical CAT Costs 1) was invoiced to CAT Executing Brokers collectively.¹⁸ However, Historical CAT Assessment 1 ceased before the entire amount was invoiced.¹⁹ The last invoice for Historical CAT Assessment 1 was provided on December 2025, after only \$173,075,024 of the total \$212,039,879.34 had been invoiced to Industry Members.²⁰ Accordingly, \$38,964,855.34 of Historical CAT Costs 1 has not been invoiced. Historical CAT Assessment 1A would seek to recover this outstanding amount of Historical CAT Costs 1 that has not been invoiced.

(1) CAT Executing Brokers

Historical CAT Assessment 1A will be charged to each CEBB and CEBs for each applicable transaction in Eligible Securities.²¹ The CAT NMS Plan defines a "CAT Executing Broker" to mean:

(a) with respect to a transaction in an Eligible Security that is executed on an

exchange, the Industry Member identified as the Industry Member responsible for the order on the buy-side of the transaction and the Industry Member responsible for the sell-side of the transaction in the equity order trade event and option trade event in the CAT Data submitted to the CAT by the relevant exchange pursuant to the Participant Technical Specifications; and (b) with respect to a transaction in an Eligible Security that is executed otherwise than on an exchange and required to be reported to an equity trade reporting facility of a registered national securities association, the Industry Member identified as the executing broker and the Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event in the CAT Data submitted to the CAT by FINRA pursuant to the Participant Technical Specifications; provided, however, in those circumstances where there is a non-Industry Member identified as the contra-side executing broker in the TRF/ORF/ADF transaction data event or no contra-side executing broker is identified in the TRF/ORF/ADF transaction data event, then the Industry Member identified as the executing broker in the TRF/ORF/ADF transaction data event would be treated as CAT Executing Broker for the Buyer and for the Seller.²²

The following fields of the Participant Technical Specifications indicate the CAT Executing Brokers for the transactions executed on an exchange.

EQUITY ORDER TRADE (EOT)²³

No.	Field name	Data type	Description	Include key
12.n.8/13.n.8	member	Member Alias	The identifier for the member firm that is responsible for the order on this side of the trade. Not required if there is no order for the side as indicated by the NOBUYID/NOSELLID instruction.	C

¹² In approving the CAT Funding Model, the Commission stated that, "[i]n the Commission's view, the proposed recovery of the Past CAT Costs via the Historical CAT Assessment is appropriate." CAT Funding Model Approval Order at 13450.

¹³ Section 11.3(b)(ii) of the CAT NMS Plan.

¹⁴ Section 11.1(b) of the CAT NMS Plan.

¹⁵ Section 11.3(b)(iii)(B)(I) of the CAT NMS Plan.

¹⁶ Note that there may be one or more Historical CAT Assessments. Section 11.3(b) of the CAT NMS Plan.

¹⁷ See Securities Exchange Act Rel. No. 100941 (Sep. 5, 2024), 89 FR 74050 (Sep. 11, 2024) ("Historical CAT Assessment 1 Filing").

¹⁸ See Rule General 7A(a)(1).

¹⁹ In response to the Eleventh Circuit's decision vacating the prior CAT NMS Plan funding model, the last invoices for Historical CAT Assessment 1

were sent in December 2025 based on November 2025 transactions. See *American Securities Association v. SEC*, No. 23–13396 (11th Cir. July 25, 2025).

²⁰ CAT Fee Alert 2025–4 (Nov. 25, 2025).

²¹ In its approval order for the CAT Funding Model, the Commission determined that charging CAT fees to CAT Executing Brokers was appropriate. In reaching this conclusion the Commission noted that the use of CAT Executing Brokers is appropriate because the CAT Funding Model is based upon the calculation of *executed* equivalent shares, and, therefore, charging CAT Executing Brokers would reflect their executing role in each transaction. Furthermore, the Commission noted that, because CAT Executing Brokers are already identified in transaction reports from the exchanges and FINRA's equity trade reporting

facilities recorded in CAT Data, charging CAT Executing Brokers could streamline the billing process. CAT Funding Model Approval Order at 13413.

²² Section 1.1 of the CAT NMS Plan. In its approval order for the CAT Funding Model, the Commission "recognize[d] that Industry Members may pass-through CAT fees for customer executed volume." See CAT Funding Model Approval Order at 13424.

²³ See Table 23, Section 4.7 (Order Trade Event) of the CAT Reporting Technical Specifications for Plan Participants, Version 4.2.0–r2 (Feb. 24, 2026), https://www.catnmsplan.com/sites/default/files/2026-02/02.24.2026-CAT_Reporting_Technical_Specifications_for_Participants_4.2.0-r2.pdf ("CAT Reporting Technical Specifications for Plan Participants").

EQUITY ORDER TRADE (EOT)²³—Continued

No.	Field name	Data type	Description	Include key
			This must be provided if orderID is provided.	

OPTION TRADE (OT)²⁴

No.	Field name	Data type	Description	Include key
16.n.13/17.n.13	member	Member Alias	The identifier for the member firm that is responsible for the order.	R

In addition, the following fields of the Participant Technical Specifications would indicate the CAT Executing Brokers for the transactions executed otherwise than on an exchange.

TRF/ORF/ADF TRANSACTION DATA EVENT (TRF)²⁵

No.	Field name	Data type	Description	Include key
26	reportingExecutingMpid	Member Alias	MPID of the executing party	R
28	contraExecutingMpid	Member Alias	MPID of the contra-side executing party	C

(2) Calculation of Fee Rate for Historical CAT Assessment 1A

The Operating Committee determined the fee rate to be used in calculating Historical CAT Assessment 1A based on the Historical CAT Costs for Historical CAT Assessment 1A and the projected total executed share volume of all transactions in Eligible Securities for the Historical Recovery Period for Historical CAT Assessment 1A (“Historical Recovery Period 1A”), as discussed in detail below. Based on this calculation, the Operating Committee has determined that the fee rate for Historical CAT Assessment 1A would be \$0.000002, as discussed in detail below.

(A) Executed Equivalent Shares for Transactions in Eligible Securities

Under the CAT NMS Plan, for purposes of calculating each Historical CAT Assessment, executed equivalent shares in a transaction in Eligible Securities will be reasonably counted as follows: (1) each executed share for a transaction in NMS Stocks will be counted as one executed equivalent share; (2) each executed contract for a transaction in Listed Options will be counted based on the multiplier applicable to the specific Listed Options (*i.e.*, 100 executed equivalent shares or

such other applicable multiplier); and (3) each executed share for a transaction in OTC Equity Securities shall be counted as 0.01 executed equivalent share.²⁶

(B) Historical CAT Costs

The CAT NMS Plan states that “[t]he Operating Committee will reasonably determine the Historical CAT Costs sought to be recovered by each Historical CAT Assessment, where the Historical CAT Costs will be Past CAT Costs minus Past CAT Costs reasonably excluded from Historical CAT Costs by the Operating Committee. Each Historical CAT Assessment will seek to recover from CAT Executing Brokers two-thirds of Historical CAT Costs incurred during the period covered by the Historical CAT Assessment.”²⁷ Historical CAT Assessment 1, the original Historical CAT Assessment, was implemented to recover \$212,039,879.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively.²⁸ As described in the fee filings for Historical CAT Assessment 1, Historical CAT Costs 1 of \$212,039,879.34 includes Past CAT Costs of \$401,312,909 minus certain Excluded Costs of \$83,253,090. As described in the filing for Historical CAT Assessment 1, Participants collectively will remain

responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), plus the Excluded Costs of \$83,253,090. Accordingly, CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), and CEBBs collectively will be responsible for one-third of Historical CAT Costs 1 (which is \$106,019,939.67), for a total of \$212,039,879.34. CEBBs and CEBBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1. Accordingly, Historical CAT Assessment 1A would charge CEBBs and CEBBs collectively for the remaining \$38,964,855.34 of Historical CAT Costs 1 that was not invoiced to CEBBs and CEBBs via Historical CAT Assessment 1. Historical CAT Assessment 1A will be designed to recover the remaining \$38,964,855.34 of Historical CAT Costs 1 from CEBBs and CEBBs collectively, with CEBBs collectively responsible for \$19,482,427.67 and CEBBs collectively responsible for \$19,482,427.67.

(i) Historical CAT Costs 1

The following describes in detail Historical CAT Costs 1 with regard to

²⁴ See Table 52, Section 5.2.5.1 (Simple Option Trade Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁵ See Table 62, Section 6.1 (TRF/ORF/ADF Transaction Data Event) of the CAT Reporting Technical Specifications for Plan Participants.

²⁶ Section 11.3(a)(i)(B) and 11.3(b)(i)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission concluded that “in the Commission’s view, the use of executed equivalent share volume as the basis for determining and allocating CAT costs during the two-year interim

period is appropriate and consistent with the funding principles of the CAT NMS Plan.” CAT Funding Model Approval Order at 13427.

²⁷ Section 11.3(b)(i)(C) of the CAT NMS Plan.

²⁸ See Historical CAT Assessment 1 Filing, *supra* note 17.

four separate historical time periods as well as Past CAT Costs excluded from Historical CAT Costs 1 (“Excluded Costs”). The following cost details are provided in accordance with the requirement in the CAT NMS Plan to provide in the fee filing “a brief description of the amount and type of Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.”²⁹ Each of the

costs described below are reasonable, appropriate and necessary for the creation, implementation and maintenance of CAT. These Historical CAT Costs 1 are the same as described in the fee filing for Historical CAT Assessment 1.³⁰

(a) Historical CAT Costs Incurred Prior to June 22, 2020 (Pre-FAM Costs)

Historical CAT Costs 1 would include costs incurred by CAT prior to June 22, 2020 (“Pre-FAM Period”) and already funded by the Participants, excluding Excluded Costs (described further below). Historical CAT Costs 1 would

include costs for the Pre-FAM Period of \$124,290,730. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$41,430,243.33), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$41,430,243.33) and CEBBs paying one-third (\$41,430,243.33). These costs do not include Excluded Costs, as discussed further below. The following table breaks down Historical CAT Costs 1 for the Pre-FAM Period into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs 1 for Pre-FAM Period (prior to June 22, 2020) **
Capitalized Developed Technology Costs *	\$51,847,150
Technology Costs	33,568,579
Cloud Hosting Services	10,268,840
Operating Fees	21,085,485
CAIS Operating Fees	2,072,908
Change Request Fees	141,346
Legal	19,674,463
Consulting	17,013,414
Insurance	880,419
Professional and administration	1,082,036
Public relations	224,669
Total Operating Expenses	124,290,730

* The non-cash amortization of these capitalized developed technology costs of \$2,115,545 incurred during the period prior to June 22, 2020 have been appropriately excluded from the above table.³¹

** The costs described in this table of costs for the Pre-FAM Period were calculated based upon CAT LLC’s review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website. In addition, in accordance with Section 6.6(a)(i) of the CAT NMS Plan, in 2018 CAT LLC provided the SEC with “an independent audit of fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan that will be publicly available.” The audit is available on the CAT website.

The Pre-FAM Period includes a broad range of CAT-related activity from 2012 through June 22, 2020, including the evaluation of the requirements of SEC Rule 613, the development of the CAT NMS Plan, the evaluation and selection of the initial and successor Plan Processors, the commencement of the creation and implementation of the CAT to comply with Rule 613 and the CAT NMS Plan, including technical specifications for transaction reporting and regulatory access, and related technology and the commencement of reporting to the CAT. The following describes the costs for each of the categories for the Pre-FAM Period.

(I) Technology Costs—Cloud Hosting Services

The \$10,268,840 in technology costs for cloud hosting services represent costs incurred for services provided by

the cloud services provider for the CAT, Amazon Web Services, Inc. (“AWS”), during the Pre-FAM Period.

As part of its proposal for acting as the successor Plan Processor for the CAT, FCAT selected AWS as a subcontractor to provide cloud hosting services. In 2019, after reviewing the capabilities of other cloud services providers, FCAT determined that AWS was the only cloud services provider at that time sufficiently mature and capable of providing the full suite of necessary cloud services for the CAT, including, for example, the security, resiliency and complexity necessary for the CAT computing requirements. The use of cloud hosting services is standard for this type of high-volume data activity and reasonable and necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT the fees incurred by the Plan Processor for cloud hosting services provided by AWS as FCAT’s subcontractor on a monthly basis for the cloud hosting services, and FCAT, in turn, pays such fees to AWS. The fees for cloud hosting services were negotiated by FCAT on an arm’s length basis with the goals of managing cost and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the expected volume of data, the breadth of services provided and market rates for similar services. The fees for cloud hosting services during the Pre-FAM Period were paid to FCAT by CAT NMS,

²⁹ Section 11.3(b)(iii)(B)(II)(B) of the CAT NMS Plan.

³⁰ See Historical CAT Assessment 1 Filing, *supra* note 17.

³¹ With respect to certain costs that were “appropriately excluded,” such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already

been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

LLC³² and subsequently Consolidated Audit Trail, LLC (as previously noted, both entities are referred to generally as “CAT LLC”),³³ and FCAT, in turn, paid AWS. CAT LLC was funded via loan contributions by the Participants.³⁴

AWS was engaged by FCAT to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS include storage services, databases, compute services and other services (such as networking, management tools and DevOps tools). AWS also was engaged to provide various environments for CAT, such as

development, performance testing, test and production environments.

The cost for AWS services for the CAT is a function of the volume of CAT Data. The greater the amount of CAT Data, the greater the cost of AWS services to the CAT. During the Pre-FAM Period from the engagement of AWS in February 2019 through June 2020, AWS provided cloud hosting services for volumes of CAT Data far in excess of the volume predictions set forth in the CAT NMS Plan. The CAT NMS Plan states, when all CAT Reporters are submitting their data to the CAT, it “must be sized to receive[,] process and load more than 58 billion records per day,”³⁵ and that “[i]t is

expected that the Central Repository will grow to more than 29 petabytes of raw, uncompressed data.”³⁶ However, the volume of CAT Data for the Pre-FAM Period was far in excess of these predicted levels. By the end of this period, data submitted to the CAT included options and equities Participant Data,³⁷ Phase 2a and Phase 2b Industry Member Data³⁸ (including certain linkages), as well as SIP Data,³⁹ reference data and other types of Other Data.⁴⁰ The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during the Pre-FAM Period.⁴¹

	Date range: 3/29/19 to 4/12/20 *	Date range: 4/13/20 to 6/21/20 **
Average Daily Volume in Billions:		
Participant—Equities	5	5
Participant—Options	80	981
Industry Member—Equities		3
Industry Member—Options		0.04
SIP—Options & Equities	64	70
Average Total Daily Volume	149	166
Cumulative Total Events for the Period	3,890	4,990
Total Compute Hours for the Period	*** N/A	5,663,247
Storage Footprint at End of Period (Petabytes)	30.57	47.96

* The Participant Equities in RSA format.

** Start of Industry Member reporting on 4/13/2020.

*** Note that, although there were compute hours during this period, data related to such compute hours are no longer available in current data.

(II) Technology Costs—Operating Fees

The \$21,085,485 in technology costs related to operating fees represent costs incurred with regard to activities of FCAT as the Plan Processor. Operating fees are those fees paid by CAT LLC to FCAT as the Plan Processor to operate and maintain the CAT and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management as required by the CAT NMS Plan.

FCAT was selected to assume the role of the successor Plan Processor. Prior to this selection, the Participants engaged

in discussions with two prior Bidders⁴² for the successor Plan Processor role. The Operating Committee formed a Selection Subcommittee in accordance with Section 4.12 of the CAT NMS Plan to evaluate and review Bids and to make a recommendation to the Operating Committee with respect to the selection of the successor Plan Processor. In an April 9, 2019 letter to the Commission, the Participants described the reasons for its selection of the successor Plan Processor:

The Selection Subcommittee considered factors including, but not limited to, the following, in recommending FINRA to the Operating Committee as the successor Plan Processor:

a. FINRA’s specialized technical expertise and capabilities in the area of broker-dealer technology;

b. The need to appoint a successor Plan Processor with specialized expertise to develop, implement, and maintain the CAT System in accordance with the CAT NMS Plan and SEC Rule 613;

c. FINRA’s detailed proposal in response to CATLLC’s recent inquiries; and

d. FINRA’s data query and analytics systems demonstration to the Participants.

Based on these and other factors, the Selection Subcommittee determined that FINRA was the most appropriate

³² CAT NMS, LLC was formed by FINRA and the U.S. national securities exchanges to implement the requirements of SEC Rule 613 under the Exchange Act. SEC Rule 613 required the SROs to jointly submit to the SEC the CAT NMS Plan to create, implement and maintain the CAT. The SEC approved the CAT NMS Plan on November 15, 2016. CAT NMS Plan Approval Order.

³³ On August 29, 2019, the Participants formed a new Delaware limited liability company named Consolidated Audit Trail, LLC for the purpose of conducting activities related to the CAT from and after the effectiveness of the proposed amendment

of the CAT NMS Plan to replace CAT NMS, LLC. See Securities Exchange Act Rel. No. 87149 (Sept. 27, 2019), 84 FR 52905 (Oct. 3, 2019).

³⁴ For each of the costs paid by CAT NMS, LLC and Consolidated Audit Trail, LLC as discussed throughout this filing, CAT NMS, LLC and Consolidated Audit Trail, LLC paid these costs via loan contributions by the Participants to CAT NMS, LLC and Consolidated Audit Trail, LLC, respectively.

³⁵ Appendix D–4 of the CAT NMS Plan at n.262.

³⁶ Appendix D–5 of the CAT NMS Plan.

³⁷ See Section 6.3(d) of the CAT NMS Plan.

³⁸ See Securities Exchange Rel. No. 88702 (Apr. 20, 2020), 85 FR 23075 (Apr. 24, 2020) (“Phased Reporting Exemptive Relief Order”) for a description of Phase 2a and Phase 2b Industry Member Data.

³⁹ See Section 6.5(a)(ii) of the CAT NMS Plan.

⁴⁰ See Appendix C–109 of the CAT NMS Plan.

⁴¹ Note that the volume data described in this table does not include CAIS data.

⁴² The term “Bidder” is defined in Section 1.1 of the CAT NMS Plan.

Bidder to become the successor Plan Processor.⁴³

On February 26, 2019, the Operating Committee (with FINRA recusing itself) voted to select FINRA as the successor Plan Processor pursuant to Section 6.1(t) of the CAT NMS Plan.⁴⁴ On March 29, 2019, CAT LLC and FCAT (a wholly owned subsidiary of FINRA) entered into a Plan Processor Agreement pursuant to which FCAT would perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT.

Under the Plan Processor Agreement with FCAT, CAT LLC is required to pay FCAT a negotiated monthly fixed price for the operation of the CAT. This fixed price contract was negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity. The operating fees during the Pre-FAM Period were paid to FCAT by CAT LLC.

From March 29, 2019 (the commencement of the Plan Processor Agreement with FCAT) through June 22, 2020 (the end of the Pre-FAM Period), the Plan Processor's activities with respect to the CAT included the following:

- Commenced user acceptance testing with market data provided by Exegy Incorporated ("Exegy"), a market data provider;⁴⁵
- Published Technical Specifications and related reporting scenarios documents for Phase 2a, 2b and 2c reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Facilitated testing for Phase 2a and 2b reporting for Industry Members;
- Began developing Technical Specifications and related reporting scenarios documents for Phase 2d reporting for Industry Members, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published Central Repository Access Technical Specifications, and provided regulator access to test data from Industry Members;

- Facilitated Participant exchanges that support options market makers sending Quote Sent Time to the CAT;
- Facilitated the introduction of OPRA and Options NBBO Other Data to CAT;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing requirements under Regulation SCI;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants, the SEC and its staff;
- Operated the FINRA CAT Helpdesk, which is the primary source for answers to questions about CAT, including questions regarding: clock synchronization, firm reporting responsibilities, interpretive questions, technical specifications for reporting to CAT and more;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content;⁴⁶ and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

The \$2,072,908 in technology costs related to CAIS operating fees represent the fees paid for FCAT's subcontractor charged with the development and operation of CAT's Customer and Account Information System ("CAIS"). The CAT is required under the CAT NMS Plan to capture and store Customer Identifying Information and Customer Account Information in a database separate from the transactional database and to create a CAT-Customer-ID for each Customer.

During the Pre-FAM Period, the CAIS-related services were provided by the Plan Processor through the Plan Processor's subcontractor, Kingland Systems Incorporation ("Kingland").

Kingland had experience operating in the securities regulatory technology space, and as a part of its proposal for acting as the Plan Processor for the CAT, FCAT selected Kingland as a subcontractor to provide certain CAIS-related services.

Under the Plan Processor Agreement with FCAT, CAT LLC was required to pay to the Plan Processor the fees incurred by FCAT for CAIS-related services provided by FCAT through Kingland on a monthly basis. FCAT negotiated the fees for Kingland's CAIS-related services on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity. The fees for CAIS-related services during the Pre-FAM Period were paid by CAT LLC to FCAT. FCAT, in turn, paid Kingland.

During the Pre-FAM Period, Kingland began development of the CAIS Technical Specifications and the building of CAIS. In addition, Kingland also worked on the build related to the CCID Alternative, an alternative approach to customer information that was not included in the CAT NMS Plan as originally adopted.⁴⁷ Furthermore, Kingland also worked on the acceleration of the reporting of large trader identifiers ("LTID") earlier than originally contemplated during this period, in accordance with exemptive relief granted by the SEC.⁴⁸

(IV) Technology Costs—Change Request Fees

The technology costs related to change request fees include costs related to certain modifications, upgrades or other changes to the CAT. Change requests are standard practice and necessary to reflect operational changes, including changes related to new market developments, such as new market participants. In general, if CAT LLC determines that a modification, upgrade or other change to the functionality or service is necessary and appropriate, CAT LLC will submit a request for such a change to the Plan Processor. The Plan Processor will then respond to the request with a proposal for implementing the change, including the cost (if any) of such a change. CAT LLC then determines whether to approve the proposed change. The change request costs were paid by CAT LLC to FCAT.

⁴⁷ For a discussion of the CCID Alternative, see Securities Exchange Act Rel. No. 88393 (Mar. 17, 2020), 85 FR 16152 (Mar. 20, 2020).

⁴⁸ Phased Reporting Exemptive Relief Order at 23079–80.

⁴³ Letter from Michael J. Simon, Chair, CAT NMS, LLC Operating Committee, to Brent J. Fields, Secretary, SEC (Apr. 9, 2019), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection-040919.pdf>.

⁴⁴ *Id.*

⁴⁵ The use of Exegy to provide market data, including the costs and market data provided, is discussed below in Section 3(a)(2)(B)(a)(IX).

⁴⁶ The CAT website is <https://www.catnmsplan.com>.

During the Pre-FAM Period, CAT LLC incurred costs of \$141,346 related to change requests implemented by FCAT. Such change requests related to a development fee regarding the OPRA and SIP data feeds, and the reprocessing of certain exchange data.⁴⁹

(V) Technology Costs—Capitalized Developed Technology Costs

This category of costs includes capitalizable application development costs incurred in the development of the CAT. The capitalized developed technology costs for the Pre-FAM Period of \$51,847,150 relate to technology provided by the Initial Plan Processor and the successor Plan Processor.

Initial Plan Processor: Thesys CAT, LLC. The capitalized developed technology costs related to the Initial Plan Processor include costs incurred with regard to testing for Participant reporting, Participant reporting to the CAT, a security assessment of the CAT, and the development of the billing function for the CAT.

On January 17, 2017, the Selection Committee of the CAT NMS Plan selected the Initial Plan Processor, Thesys Technologies, LLC, for the CAT NMS Plan pursuant to Article V of the CAT NMS Plan.⁵⁰ The Participants utilized a request for proposal (“RFP”) to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan, taking into consideration that the Initial Plan Processor had experience operating in the securities regulatory technology space, among other considerations. On April 6, 2017, CAT LLC entered into an agreement with Thesys CAT LLC (“Thesys CAT”), a Thesys affiliate, to perform the functions and duties of the Plan Processor contemplated by the CAT NMS Plan, including the management and operation of the CAT. Under the agreement, CAT LLC would pay Thesys CAT a negotiated, fixed price fee for its role as the Initial Plan Processor. Effective January 30, 2019, the Plan Processor Agreement with Thesys CAT was terminated, and FCAT

was subsequently selected as the successor Plan Processor.

From January 17, 2017 through January 30, 2019, the time in which Thesys CAT was engaged for the CAT, but excluding the period from November 15, 2017 through January 30, 2019, the Initial Plan Processor engaged in various activities with respect to the CAT, including preparing iterative drafts of Participant Technical Specifications, Industry Member Technical Specifications and the Central Repository Access Technical Specifications. In addition, Thesys CAT also developed CAT technology, addressed compliance items, including drafting CAT policies and procedures, addressing Regulation SCI requirements, establishing a CAT Compliance Officer and a Chief Information Security Officer, addressed security-related matters for the CAT, and worked towards the initiation of Participant reporting per the Participant Technical Specifications.

Successor Plan Processor: FCAT. The capitalized developed technology costs related to FCAT include: (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, including the completion of go-live functionality related to options ingestion and validation, equities regulatory services agreement query tool updates and unlinked options data query, options linkages release, Industry Member Phase 2a file submission and data integrity (including error corrections), and Industry Member testing, including reporting relationships, ATS order type management, basic reporting statistics, SFTP data integrity feedback and error correction; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including a one-time development fee for a secure analytics workspace, a one-time development fee for an Industry Member connectivity solution, and a one-time development fee for the acceleration of multi-factor authentication; (3) CAIS implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$19,674,463 represent the fees paid for legal services provided by two law firms, Wilmer Cutler Pickering Hale and Dorr LLP (“WilmerHale”) and Pillsbury Winthrop Shaw Pittman LLP (“Pillsbury”), during the Pre-FAM Period. The legal costs exclude those costs incurred from

November 15, 2017 through November 15, 2018.

Law Firm: WilmerHale. Following the adoption of Rule 613, the Participants determined it was necessary to engage external legal counsel to advise the Participants with respect to corporate and regulatory legal matters related to the CAT, including drafting and developing the CAT NMS Plan. The Participants considered a variety of factors in their analysis of prospective law firms, including (1) the firm’s qualifications, resources and expertise; (2) the firm’s relevant experience and understanding of the regulatory matters raised by the CAT and in advising on matters of similar scope; (3) the composition of the legal team; and (4) professional fees. Following a series of interviews, the Participants acting as a consortium determined that WilmerHale was well qualified given the balance of these considerations and engaged WilmerHale in February 2013.

WilmerHale’s billing rates are negotiated on an annual basis and are determined with reference to the rates charged by other leading law firms for similar work. The Participants assess WilmerHale’s performance and review prospective budgets and staffing plans submitted by WilmerHale on an annual basis. WilmerHale’s compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading law firms for similar work.

The legal costs for WilmerHale during the Pre-FAM Period included costs incurred from 2013 until June 22, 2020 to address corporate and regulatory legal matters related to the CAT. The legal fees for this law firm during the period from February 2013 until the formation of the CAT NMS, LLC on November 15, 2016 were paid directly by the exchanges and FINRA to WilmerHale. After the formation of CAT NMS LLC, the legal fees were paid by CAT LLC to WilmerHale.

After WilmerHale was engaged in 2013 through the end of the Pre-FAM Period on June 22, 2020 (excluding the legal costs from November 15, 2017 through November 15, 2018), WilmerHale provided legal assistance to the CAT on a variety of matters, including with regard to the following:

- Analyzed various legal matters associated with the Selection Plan, and drafted an amendment to the Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the Development Advisory Group (“DAG”);

⁴⁹ Note that CAT LLC also has incurred costs related to specific Industry Members (e.g., reprocessing costs related to Industry Member reporting errors).

⁵⁰ Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan, and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan and related filings;
- Negotiated and drafted the plan processor agreements with the Initial Plan Processor and the successor Plan Processor;
- Provided assistance with compliance with Regulation SCI;
- Assisted with clock synchronization study;
- Provided assistance with respect to the establishment of CAT security;
- Drafted exemptive requests from CAT NMS Plan requirements, including with regard to options market maker quotes, Customer IDs, CAT Reporter IDs, linking allocations to executions, CAT reporting timeline, FDIDs, customer and account information, timestamp granularity, small industry members, data facility reporting and linkage, allocation reports, SRO-assigned market participant identifiers and cancelled trade indicators, thereby seeking to implement changes that would be cost effective and benefit Industry Members and Participants;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Provided advice regarding CAT policies and procedures;
- Analyzed the SEC's amendment of the CAT NMS Plan regarding financial accountability;
- Provided interpretations of and related to the CAT NMS Plan;
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues; and

- Assisted with third-party vendor agreements.

Law Firm: Pillsbury. The legal costs for CAT during the Pre-FAM Period include costs related to the legal services performed by Pillsbury. The Participants interviewed this law firm as well as other potential law firms to provide legal assistance regarding certain liability matters. After considering a variety of factors in its analysis, including the relevant expertise and fees of the firm, CAT LLC determined to hire Pillsbury in April 2019. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees were paid by CAT LLC to Pillsbury. The legal costs for Pillsbury during the Pre-FAM Period included costs incurred from April 2019 until June 22, 2020 to address legal matters regarding the agreements between CAT Reporters and CAT LLC concerning certain terms associated with CAT Reporting (the "Reporter Agreement"). During that period, Pillsbury advised CAT LLC regarding applicable legal matters, participated in negotiations between the Participants and Industry Members, participated in meetings with senior SEC staff, the Chairman, and Commissioners, represented CAT LLC and the Participants in an SEC administrative proceeding, and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, litigation involving CAT LLC is an expense of operating the CAT, and, therefore, is appropriately an obligation of both Participants and Industry Members under the CAT Funding Model.

(VII) Consulting Costs

The consulting costs of \$17,013,414 represent the fees paid to the consulting firm Deloitte & Touche LLP ("Deloitte") as project manager during the Pre-FAM Period, from October 2012 until June 22, 2020. These consulting costs include costs for advisory services related to the operation of the CAT, and meeting facilitation and communications coordination, vendor support and financial analyses.

To help facilitate project management given the unprecedented complexity and scope of the CAT project, the Participants determined it was necessary to engage a consulting firm to assist with the CAT project in 2012, following the adoption of Rule 613. A

variety of factors were considered in the analysis of prospective consulting firms, including (1) the firm's qualifications, resources, and expertise; (2) the firm's relevant experience and understanding of the regulatory issues raised by the CAT and in coordinating matters of similar scope; (3) the composition of the consulting team; and (4) professional fees. Following a series of interviews, the exchanges and FINRA as a consortium determined that Deloitte was well qualified given the balance of these considerations and engaged Deloitte on October 1, 2012.

Deloitte's fee rates are negotiated on an annual basis and are in line with market rates for this type of specialized consulting work. CAT LLC assesses Deloitte's performance and reviews prospective budgets and staffing plans submitted by Deloitte on an annual basis. Deloitte's compensation arrangements are reasonable and appropriate, and in line with the rates charged by other leading consulting firms for similar work.

The consulting costs for CAT during the period from 2012 until the formation of the CAT NMS, LLC were paid directly by the Participants to Deloitte. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC to Deloitte. CAT LLC reviewed the consulting fees each month and approved the invoices.

After Deloitte was hired in 2012 through the end of the Pre-FAM Period on June 22, 2020 (excluding the consulting costs from November 15, 2017 through November 15, 2018), Deloitte provided a variety of consulting services, including the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participant's independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Assisted with cost and funding-related activities for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA

as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding and Other Products) and the DAG, governance support during the transition to the new governance structure under the CAT NMS Plan and governance support after the adoption of the CAT NMS Plan, which involved support for the Operating Committee, Advisory Committee, Compliance Subcommittee and CAT working groups;

- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with industry outreach and communications regarding the CAT, including assistance with industry outreach events, the development of the CAT website, frequently asked questions, and coordinating with the CAT LLC's public relations firm;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress;
- Coordinated efforts regarding the selection of the successor Plan Processor;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor, including support for the Operating Committee and successor Plan Processor for the new role; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$880,419 represent the cost incurred for insurance for CAT during the Pre-FAM Period. Commencing in 2020, CAT LLC performed an evaluation of various potential alternatives for CAT insurance policies, which included engaging in discussions with different insurance companies and conducting cost comparisons of various alternative approaches to insurance. Based on an analysis of a variety of factors, including coverage and premiums, CAT LLC determined to purchase cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance from USI Insurance Services LLC ("USI"). Such policies are standard for corporate

entities, and cyber security liability insurance is important for the CAT System. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

In adopting the CAT NMS Plan, the Commission amended the Plan to add a requirement that CAT LLC's financial statements be prepared in compliance with GAAP, audited by an independent public accounting firm, and made publicly available.⁵¹ The professional and administration costs include costs related to accounting and accounting advisory services to support the operating and financial functions of CAT, financial statement audit services by an independent accounting firm, preparation of tax returns, and various cash management and treasury functions. In addition, professional and administration costs for the Pre-FAM Period include costs related to the receipt of market data and a security assessment. The costs for these professional and administration services were \$1,082,036 for the Pre-FAM Period.

Financial Advisory Firm: Anchin Accountants & Advisors ("Anchin"). CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT in April 2018. CAT LLC interviewed Anchin as well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services were paid by CAT LLC to Anchin.

After Anchin was hired in April 2018 through the end of the Pre-FAM Period on June 22, 2020 (excluding the period from April 2018 through November 15, 2018), Anchin provided a variety of services, including the following:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;

- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial reporting matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton LLP ("Grant Thornton"). In February 2020, CAT LLC determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the proposed role given the balance of these considerations. Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services. The fees for these services were paid by CAT LLC to Grant Thornton.

Market Data Provider: Exegy. The professional and administrative costs for the Pre-FAM Period included costs related to the receipt of certain market data for the CAT pursuant to an agreement with the CAT LLC, and then with FCAT. Exegy provided SIP Data required by the CAT NMS Plan.

After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase

⁵¹ Section 9.2 of the CAT NMS Plan.

market data from Exegy from July 2018 through March 2019. CAT LLC determined that, unlike certain other vendors, Exegy provided market data that included all data elements required by the CAT NMS Plan.⁵² In addition, the fees were reasonable and in line with market rates for the market data received. Accordingly, the professional and administrative costs for the Pre-FAM Period include the Exegy costs from November 2018 through March 2019. The cost of the market data was reasonable for the market data received. The fees for the market data were paid directly by CAT LLC to Exegy.

Upon the termination of the contract between CAT LLC and Exegy, FCAT entered into a contract with Exegy to purchase the required market data from Exegy in July 2019. All costs under the contract were treated as a direct pass through cost to CAT LLC. Therefore, the fees for the market data were paid by CAT LLC to FCAT, who, in turn, paid Exegy for the market data.

Security Assessment: RSM US LLP (“RSM”). The operating costs for the Pre-FAM Period include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation, and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment. RSM performed the assessment from October 2018 through December 2018. Accordingly, the costs for the Pre-FAM Period include the costs incurred in November and December 2018. The cost for the security assessment were paid directly to RSM by CAT LLC.

(X) Public Relations Costs

The public relations costs of \$224,669 represent the fees paid to public relations firms during the Pre-FAM Period for professional communications services to CAT, including media relations consulting, strategy and execution. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants. Specifically, the public relations firms provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.

The services performed by each of the public relations firms were comparable. The fees for such services were reasonable and in line with market rates. Only one public relations firm was engaged at a time; the three firms were engaged sequentially as the primary public relations contact moved among the three firms during this time period.

Public Relations Firm: Peppercomm, Inc. (“Peppercomm”). The national securities exchanges and FINRA, acting as a consortium, determined to hire the public relations firm Peppercomm in October 2014 and continued to engage this firm through September 2017. The exchanges and FINRA made this engagement decision after considering a variety of factors in its analysis, including the firm’s relevant expertise and fees. The fee rates for this public relations firm were negotiated on an arm’s length basis and were in line with market rates for these types of services.

The public relations costs during the period from October 2014 until the formation of the CAT NMS, LLC were paid directly by the exchanges and FINRA to the public relations firm. After the formation of CAT NMS, LLC, the consulting fees were paid by CAT LLC.

Public Relations Firm: Sloane & Company (“Sloane”). CAT LLC determined to hire a new public relations firm, Sloane, in March 2018, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Sloane. CAT LLC continued the engagement with Sloane until February 2020.

Public Relations Firm: Peak Strategies. CAT LLC determined to hire a new public relations firm, Peak Strategies, in March 2020, based on, among other things, their expertise and the primary contact’s history with the project. The fee rates for this public relations firm were in line with market rates for these types of services. The fees during the Pre-FAM Period were paid by CAT LLC to Peak Strategies.

(b) Historical CAT Costs Incurred in Financial Accountability Milestone Period 1

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 1 of the Financial Accountability Milestones (“FAM Period 1”),⁵³ which covers the period from June 22, 2020–July 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 1 of \$6,377,343. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$2,125,781), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBs paying one-third (\$2,125,781). The following table breaks down Historical CAT Costs 1 for FAM Period 1 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1**
Capitalized Developed Technology Costs*	\$1,684,870
Technology Costs	3,996,800
Cloud Hosting Services	2,642,122
Operating Fees	1,099,680
CAIS Operating Fees	254,998
Change Request Fees .....	.....
Legal	481,687
Consulting	137,209

⁵² See Section 6.5(a)(ii) of the CAT NMS Plan.

⁵³ Section 11.6(a)(i)(A) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM Period 1**
Insurance .....	.....
Professional and administration	69,077
Public relations	7,700
Total Operating Expenses	6,377,343

* The non-cash amortization of these capitalized developed technology costs of \$362,121 incurred during FAM Period 1 have been appropriately excluded from the above table.⁵⁴

** The costs described in this table of costs for FAM Period 1 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 1, CAT LLC was required to implement the reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of equities transaction data and options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.⁵⁵ CAT LLC completed the requirements of FAM Period 1 by July 31, 2020. The following describes the costs for each of the categories for FAM Period 1.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 1 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS

continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 1 Period. Accordingly, the \$2,642,122 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 1. The fee arrangement for AWS described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. Moreover, CAT LLC continued to believe that AWS's maturity in the cloud services space as well as the significant cost and time

necessary to move the CAT to a different cloud services provider supported the continued engagement of AWS.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 1 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, reference data and other types of Other Data. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 1.⁵⁶

	Date range: 6/22/20–7/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	103
Industry Member—Equities	7
Industry Member—Options	0.31
SIP—Options & Equities	74
Average Total Daily Volume	185
Cumulative Total Events for the Period	5,190
Total Compute Hours for the Period	2,612,082
Storage Footprint at End of Period (Petabytes)	57.47

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 1. Accordingly, the \$1,099,680 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 1. The fee arrangement for FCAT described above with regard to the Pre-

FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, FCAT's activities with respect to the CAT included the following:

- Published iterative drafts of draft Technical Specifications for Phase 2d, after substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;
- Published iterative drafts of CAIS Technical Specifications, after

substantial engagement with SEC staff, Industry Members and Participants on the Technical Specifications;

- Facilitated Industry Member reporting of Quote Sent Time on Options Market Maker quotes;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance

⁵⁴ As discussed above, with respect to certain costs that were "appropriately excluded," such excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As

such costs have already been otherwise reflected in the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

⁵⁵ See definition of "Initial Industry Member Core Equity and Options Reporting" in Section 1.1 of the CAT NMS Plan.

⁵⁶ Note that the volume data described in this table does not include CAIS data.

Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;

- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;

- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with Participants and the SEC and its staff;

- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 1. Accordingly, the \$254,998 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 1. The fee arrangement for Kingland described above with regard to the Pre-FAM Period continued in place during FAM Period 1 pursuant to the Plan Processor Agreement. During FAM Period 1, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

CAT LLC did not incur costs related to change requests during FAM Period 1.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 1 of \$1,684,870 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include: (1) costs related to certain modifications, upgrades, or other changes to the CAT that were not

contemplated by the agreement between CAT LLC and the Plan Processor, including separate production and industry test entitlements, and reprocessing of exchange event timestamps; (2) implementation fees; and (3) license fees.

(VI) Legal Costs

The legal costs of \$481,687 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 1.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 1 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to WilmerHale. During FAM Period 1, WilmerHale provided legal assistance to the CAT including with regard to the following:

- Assisted with the development of the CAT funding model and drafted related amendments and fee filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, verbal activity, options market maker quote sent time, TRF linkages, and allocations;
- Provided interpretations related to CAT NMS Plan requirements, including the Financial Accountability Milestone amendment;
- Assisted with compliance with Regulation SCI;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the drafting of the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;
- Assisted with communications and presentations for the industry regarding CAIS;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;
- Provided guidance regarding CAT technical specifications;
- Assisted with third-party vendor agreements; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 1 based on, among other

things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 1 were paid by CAT LLC to Pillsbury. During FAM Period 1, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted a proposed amendment to the CAT NMS Plan regarding liability matters. Liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$137,209 represent the fees paid to Deloitte as project manager during FAM Period 1. CAT LLC continued to employ Deloitte during FAM Period 1 based on, among other things, their expertise and cumulative experience with the CAT. The fee rates for Deloitte during FAM Period 1 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 1 were paid by CAT LLC to the consulting firm. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 1, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Assisted with the transition from the Initial Plan Processor to the successor Plan Processor; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

Although insurance was in effect during FAM Period 1, CAT LLC did not incur costs related to insurance during FAM Period 1.

(IX) Professional and Administration Costs

Financial Advisory Firm: Anchin. The professional and administration costs of \$69,077 represent the fees paid to Anchin during FAM Period 1. CAT LLC continued to employ Anchin during FAM Period 1 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these type of financial advisory services. The fees for these services during FAM Period 1 were paid by CAT LLC to Anchin. During FAM Period 1, Anchin provided a variety of services, including the following:

- Maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;

- Worked with and provided support to the Operating Committee and various CAT working groups; and
- Prepared monthly and quarterly financial statements.

(X) Public Relations Costs

The public relations costs of \$7,700 represent the fees paid to Peak Strategies during FAM Period 1. CAT LLC continued to employ Peak Strategies during FAM Period 1 based on, among other things, their expertise and history with the project. The fee rates for this firm were reasonable and in line with market rates for these types of services. The fees for these services during FAM Period 1 were paid by CAT LLC to Peak Strategies. During FAM Period 1, Peak Strategies continued to provide professional communications services to CAT LLC, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (*e.g.*, congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (*e.g.*, amendments to the CAT NMS

Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(c) Historical CAT Costs Incurred in Financial Accountability Milestone Period 2

Historical CAT Costs 1 would include costs incurred by CAT LLC and already funded by Participants during Period 2 of the Financial Accountability Milestones ("FAM Period 2"),⁵⁷ which covers the period from August 1, 2020—December 31, 2020. Historical CAT Costs 1 would include costs for FAM Period 2 of \$42,976,478. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$14,325,493), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,493) and CEBs paying one-third (\$14,325,493). The following table breaks down Historical CAT Costs 1 for FAM Period 2 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 2 **
Capitalized Developed Technology Costs *	\$6,761,094
<i>Technology Costs</i>	31,460,033
Cloud Hosting Services	20,709,212
Operating Fees	9,108,700
CAIS Operating Fees	1,590,298
Change Request Fees	51,823
Legal	2,766,644
Consulting	532,146
Insurance	976,098
Professional and administration	438,523
Public relations	41,940
Total Operating Expenses	42,976,478

* The non-cash amortization of these capitalized developed technology costs of \$1,892,505 incurred during FAM Period 2 have been appropriately excluded from the above table.⁵⁸

** The costs described in this table of costs for FAM Period 2 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 2, CAT LLC was required to implement the following with regard to the CAT:

(a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters)

for equities transactions, excluding Customer Account Information, CustomerID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage,

inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system,

⁵⁷ Section 11.6(a)(i)(B) of the CAT NMS Plan.

⁵⁸ As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission.⁵⁹

CAT LLC completed the requirements of FAM Period 2 by December 31, 2020. The following describes the costs for each of the categories for FAM Period 2.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 2 to provide a broad array of cloud hosting services for the CAT,

including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance testing, test, and production environments, during the FAM 2 Period. Accordingly, the \$20,709,212 in technology costs for cloud hosting services represent costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 2. The fee arrangement for AWS described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During the FAM 2 Period, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a and Phase 2b Industry Member Data (including certain linkages) as well as SIP Data, and Other Data, including reference data. In addition, Industry Members began reporting LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 2.⁶⁰

	Date range: 8/1/20—12/31/20
Average Daily Volume in Billions:	
Participant—Equities	6
Participant—Options	116
Industry Member—Equities	11
Industry Member—Options	0.98
SIP—Options & Equities	80
Average Total Daily Volume	282
Cumulative Total Events for the Period	2,170
Total Compute Hours for the Period	15,660,392
Storage Footprint at End of Period (Petabytes)	114.59

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 2. Accordingly, the \$9,108,700 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 2. The fee arrangement for FCAT described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, FCAT's activities with respect to the CAT included publishing the Technical Specifications for Phase 2d and overseeing the reporting of firm to firm and intrafirm linkages by Industry Members. In addition, FCAT also continued to engage in the following activities during FAM Period 2:

- Addressed compliance items, including drafting CAT policies and

procedures, and addressing Regulation SCI requirements;

- Provided support to the Operating Committee, Compliance Subcommittee and CAT working groups;
- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the development and implementation of the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT Alerts, meetings, presentations and webinars;
- Administered the CAT website and all of its content; and

- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 2. Accordingly, the \$1,590,298 in technology costs for CAIS operating fees represent costs incurred for services provided by Kingland during FAM Period 2. The fee arrangement for Kingland described above with regard to the Pre-FAM Period and FAM Period 1 continued in place during FAM Period 2 pursuant to the Plan Processor Agreement. During FAM Period 2, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build

⁵⁹ See definition of “Full Implementation of Core Equity Reporting Requirements” in Section 1.1 of the CAT NMS Plan.

⁶⁰ Note that the volume data described in this table does not include CAIS data.

related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs.

(IV) Technology Costs—Change Request Fees

During FAM Period 2, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 2, CAT incurred costs of \$51,823 related to a change request regarding the addition of functionality for exchange Participants to report rejected messages to the CAT.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 2 of \$6,761,094 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Plan Processor; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to separate production and industry test entitlements, market maker reference data, and back-processing of exchange exception logic; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$2,766,644 represent the fees paid for legal services provided by two law firms, WilmerHale and Pillsbury during FAM Period 2.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 2 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to WilmerHale. During FAM Period 2, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements regarding, for example, allocations, exchange activity, OTQT, initial data validation, error corrections and recordkeeping;

- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittees, working groups and Leadership Team, including with regard to meetings with the SEC staff;

- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6 of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC's proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Assisted with third-party vendor agreements (e.g., with regard to Anchin, Grant Thornton and insurance policies);
- Assisted with change requests; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 2 were paid by CAT LLC to Pillsbury. During FAM Period 2, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During that period, Pillsbury advised CAT LLC regarding applicable legal matters and drafted and filed a proposed amendment to the CAT NMS Plan regarding liability matters. As discussed above, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants.

(VII) Consulting Costs

The consulting costs of \$532,146 represent the fees paid to Deloitte as project manager during FAM Period 2. CAT LLC continued to employ Deloitte during FAM Period 2 based on, among other things, their expertise and long

history with the project. The fee rates for Deloitte during FAM Period 2 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 2 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 2, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;
- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$976,098 represent the fees paid for insurance during FAM Period 2. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$438,523 represent the fees paid to Anchin and Grant Thornton for financial services provided during FAM Period 2.

Financial Advisory Firm: Anchin. CAT LLC continued to engage Anchin during FAM Period 2 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these types of financial advisory services. The fees for these services during FAM Period 2 were paid by CAT LLC to Anchin. During FAM Period 2, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
 - Facilitated bill payments;
 - Provided monthly bookkeeping;
 - Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from the Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audit by an independent auditor; and
- Reviewed historical costs from inception.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 2 based on, among other things, its expertise and cumulative knowledge of CAT LLC. CAT LLC

continued to believe that Grant Thornton was well qualified for its role and its fee rates were in line with market rates for these accounting services. The fees for these services during FAM Period 2 were paid by CAT LLC to Grant Thornton. During FAM Period 2, Grant Thornton performed a financial statement audit for CAT LLC as an independent accounting firm.

(X) Public Relations Costs

The public relations costs of \$41,940 represent the fees paid to Peak Strategies during FAM Period 2. CAT LLC continued to employ Peak Strategies during FAM Period 2 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 2 were paid by CAT LLC to Peak Strategies. During FAM Period 2, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding

such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(d) Historical CAT Costs Incurred in Financial Accountability Milestone Period 3

Historical CAT Costs 1 would include costs incurred by CAT and already funded by the Participants during Period 3 of the Financial Accountability Milestones ("FAM Period 3"),⁶¹ which covers the period from January 1, 2021–December 31, 2021. Historical CAT Costs 1 would include costs for FAM Period 3 of \$144,415,268. The Participants would remain responsible for one-third of this cost (which they have previously paid) (\$48,138,423), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$48,138,423) and CEBBs paying one-third (\$48,138,423). The following table breaks down Historical CAT Costs 1 for FAM Period 3 into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Historical CAT costs for FAM period 3**
Capitalized Developed Technology Costs*	\$10,763,372
<i>Technology Costs</i>	123,639,402
Cloud Hosting Services	94,574,759
Operating Fees	23,106,091
CAIS Operating Fees	5,562,383
Change Request Fees	396,169
Legal	6,333,248
Consulting	1,408,209
Insurance	1,582,714
Professional and administration	595,923
Public relations	92,400
Total Operating Expenses	144,415,268

* The non-cash amortization of these capitalized developed technology costs of \$5,108,044 incurred during FAM Period 3 have been appropriately excluded from the above table.⁶²

** The costs described in this table of costs for FAM Period 3 were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

By the completion of FAM Period 3, CAT LLC was required to implement the

following requirements with regard to the CAT:

(a) reporting to the Order Audit Trail System ("OATS") is no longer required for new orders; (b) Industry Member

⁶¹ Section 11.6(a)(i)(C) of the CAT NMS Plan.

⁶² As discussed above, with respect to certain costs that were "appropriately excluded," such

excluded costs relate to the amortization of capitalized technology costs, which are amortized over the life of the Plan Processor Agreement. As such costs have already been otherwise reflected in

the filing, their inclusion would double count the capitalized technology costs. In addition, amortization is a non-cash expense.

reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation,

including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met.⁶³

CAT LLC completed the requirements of FAM Period 3 by December 31, 2021. The following describes the costs for each of the categories for FAM Period 3.

(I) Technology Costs—Cloud Hosting Services

CAT LLC continued to utilize AWS in FAM Period 3 to provide a broad array of cloud hosting services for the CAT, including data ingestion, data management, and analytic tools. AWS continued to provide storage services, databases, compute services and other services (such as networking, management tools and DevOps tools), as well as various environments for CAT, such as development, performance

testing, test, and production environments, during the FAM 3 Period. Accordingly, the \$94,574,759 in technology costs for cloud hosting services represents costs incurred for services provided by AWS, as the cloud services provider, during FAM Period 3. The fee arrangement for AWS described above for the earlier periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement.

The cost for AWS cloud services for the CAT continued to be a function of the volume of CAT Data. During FAM Period 3, the volume of CAT Data continued to far exceed the original predictions for the CAT as set forth in the CAT NMS Plan. During this period, data submitted to the CAT included options and equities Participant Data, Phase 2a, Phase 2b, Phase 2c and Phase 2d Industry Member Data (including certain linkages), SIP Data, Other Data, including reference data, and LTID account information. The following chart provides data regarding the average daily volume, cumulative total events, total compute hours and storage footprint of the CAT during FAM Period 3.⁶⁴

	Date range: 1/1/21 to 4/25/21	Date range: 4/26/21 to 12/31/21 *
Average Daily Volume in Billions:		
Participant—Equities	9	9
Participant—Options	135	136
Industry Member—Equities	20	19
Industry Member—Options	2	2
SIP—Options & Equities	129	137
Average Total Daily Volume	297	304
Cumulative Total Events for the Period	7,480	5,310
Total Compute Hours for the Period	15,860,304	33,487,318
Storage Footprint at End of Period (Petabytes)	180.22	284.62

* Start of Participant Equities in CAT format and SIP Equities on 4/26/21.

(II) Technology Costs—Operating Fees

Pursuant to the Plan Processor Agreement discussed above, FCAT continued in its role as the Plan Processor for the CAT during FAM Period 3. Accordingly, the \$23,106,091 in technology costs for operating fees represent costs incurred for the services provided by FCAT under the Plan Processor Agreement during FAM Period 3. The fee arrangement for FCAT described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3,

FCAT's activities with respect to the CAT included the following:

- Facilitated Phase 2c and Phase 2d testing for Industry Members;
- Oversaw creation of linkages of the lifecycle of order events based on the received data through Phase 2d;
- Addressed compliance items, including drafting CAT policies and procedures, and addressing Regulation SCI requirements;
- Provided support to the Operating Committee, the Compliance Subcommittee and CAT working groups;

- Assisted with interpretive efforts and exemptive requests regarding the CAT NMS Plan;
- Oversaw the security of the CAT;
- Monitored the operation of the CAT, including with regard to Participant and Industry Member reporting;
- Provided support to subcontractors under the Plan Processor Agreement;
- Provided support in discussions with the Participants and the SEC and its staff;
- Operated the FINRA CAT Helpdesk;
- Facilitated communications with the industry, including via FAQs, CAT

⁶³ See definition of "Full Availability and Regulatory Utilization of Transactional Database Functionality" in Section 1.1 of the CAT NMS Plan.

⁶⁴ Note that the volume data described in this table does not include CAIS data.

Alerts, meetings, presentations and webinars;

- Administered the CAT website and all of its content; and
- Provided technical support and assistance with connectivity, data access, and user support, including the use of CAT Data and query tools, for Participants and the SEC staff.

(III) Technology Costs—CAIS Operating Fees

Pursuant to the Plan Processor Agreement with FCAT discussed above, Kingland continued in its role as a subcontractor for the development and implementation of CAIS during FAM Period 3. Accordingly, the \$5,562,383 in technology costs for CAIS operating fees represents costs incurred for services provided by Kingland during FAM Period 3. The fee arrangement for Kingland described above with regard to the prior Periods continued in place during FAM Period 3 pursuant to the Plan Processor Agreement. During FAM Period 3, Kingland continued the development of the CAIS Technical Specifications and building of CAIS. In addition, Kingland continued to work on the CAIS Technical Specifications and build related to the CCID Alternative, as well as the acceleration of the reporting of LTIDs. The full CAIS Technical Specifications were published during FAM Period 3.

(IV) Technology Costs—Change Request Fees

During FAM Period 3, CAT LLC engaged FCAT to pursue certain change requests in accordance with the Plan Processor Agreement. The change request costs were paid by CAT LLC to FCAT. Specifically, during FAM Period 3, CAT incurred costs of \$396,169 related to change requests, including the following: (1) the addition of functionality for exchange Participants to report rejected messages to the CAT; (2) the migration of MIRS query engine to AWS to reduce operational costs and increase resiliency; and (3) updating the Participant Technical Specifications to allow for two-sided Participant option quote reporting.

(V) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for FAM Period 3 of \$10,763,372 include capitalizable application development costs incurred in the development of the CAT by FCAT. Such costs include (1) development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement

between CAT LLC and the Plan Processor, including the transition from equity data received by FINRA pursuant to various regulatory services agreements between FINRA and Participant exchanges to the equity CAT Data, and the completion of the Industry Member Phase 2d options manual and complex orders go-live requirements; (2) costs related to certain modifications, upgrades, or other changes to the CAT that were not contemplated by the agreement between CAT LLC and the Plan Processor, including costs related to off-exchange volume concentration, Participant 24-hour trading and an external metastore; (3) implementation fees; and (4) license fees.

(VI) Legal Costs

The legal costs of \$6,333,248 represent the fees paid for legal services provided by three law firms, WilmerHale, Pillsbury and Covington & Burling LLP (“Covington”) during FAM Period 3.

Law Firm: WilmerHale. CAT LLC continued to employ WilmerHale during FAM Period 3 based on, among other things, their expertise and long history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to WilmerHale. During FAM Period 3, the legal assistance provided by WilmerHale included providing legal advice regarding the following:

- Assisted with the development of the CAT funding model and drafting related amendments and rule filings;
- Drafted exemptive requests from CAT NMS Plan requirements, including, for example, verbal activity regarding Phase 2c cutover, error reports, error corrections, Phase 2d Reporting, unique Order-ID on internal route events, reporting addresses, recordkeeping, and unique CCID for foreign customers;
- Provided interpretations related to CAT NMS Plan requirements, including with regard to the Financial Accountability Milestone amendment, FAQs, CAIS requirements, ADF, and technical specifications;
- Provided support for the Operating Committee, Compliance Subcommittee, working groups and Leadership Team, including with regard to meetings with the SEC staff;
- Assisted with the Implementation Plan and Quarterly Progress Reports required pursuant to Section 6.6(c) of the CAT NMS Plan;
- Drafted SRO rule filings related to the CAT Compliance Rule;
- Provided support for the Compliance Subcommittee, including

with regard to responses to OCIE examinations and the annual assessment;

- Provided guidance regarding the SEC’s proposed security amendments to the CAT NMS Plan;
- Provided guidance regarding SRO rule filings for the retirement of systems;
- Provided legal support for Operating Committee meetings, including drafting resolutions and other materials and voting advice;
- Provided assistance with change requests;
- Provided guidance and regulatory support for litigation regarding the response to the SEC’s exemptive orders;
- Assisted with communications with the industry, including CAT Alerts and presentations;
- Provided guidance regarding the confidentiality of CAT Data, including third-party information requests;
- Assisted with cost management analysis and proposals; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

Law Firm: Pillsbury. CAT LLC continued to employ Pillsbury during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this law firm were in line with market rates for specialized legal expertise. The legal fees during FAM Period 3 were paid by CAT LLC to Pillsbury. During FAM Period 3, Pillsbury provided legal assistance to the CAT regarding the CAT Reporter Agreement. During this period, Pillsbury advised CAT LLC regarding applicable legal matters, reviewed and responded to comment letters regarding the proposed Plan amendment, participated in meetings with senior SEC staff, responded to comments submitted following the SEC’s April 6, 2021 order instituting proceedings,⁶⁵ and assessed legal matters regarding the SEC’s October 29, 2021 order denying the proposed Plan amendment.⁶⁶

Law Firm: Covington. CAT LLC hired Covington for litigation with the SEC regarding certain exemptive orders related to the CAT, including orders issued in December 2020.⁶⁷ CAT LLC interviewed this law firm as well as other potential law firms, considering a variety of factors in its analysis for

⁶⁵ Securities Exchange Act Rel. No. 91487 (Apr. 6, 2021), 86 FR 19054 (Apr. 12, 2021).

⁶⁶ Securities Exchange Act Rel. No. 93484 (Oct. 29, 2021), 86 FR 60933 (Nov. 4, 2021).

⁶⁷ See Securities Exchange Act Rel. No. 90688 (Dec. 16, 2020), 85 FR 83634 (Dec. 22, 2020); and Securities Exchange Act Rel. No. 90689 (Dec. 16, 2020), 85 FR 83667 (Dec. 22, 2020) (collectively, the “2020 Orders”).

choosing legal assistance, including the relevant expertise and fees of the potential lawyers. CAT LLC approved the engagement of Covington in January 2021. The fee rates for this law firm, which were calculated based on hourly rates, were in line with market rates for specialized services. The legal fees for FAM Period 3 for this firm were paid by CAT LLC to Covington.

After Covington was hired in 2021 through the end of 2021, the firm provided legal assistance regarding the litigation with the SEC regarding the 2020 Orders. These services included researching, drafting, and filing motions to stay the 2020 orders and related materials in proceedings before the SEC, as well as researching, drafting, and filing petitions for judicial review of the 2020 Orders in proceedings before the U.S. Court of Appeals for the D.C. Circuit. Covington oversaw ongoing litigation proceedings on these matters, and also supported WilmerHale with respect to settlement negotiations with the SEC staff regarding the 2020 Orders.

In addition to these services, CAT LLC engaged Covington in November 2021 to provide assistance with respect to the SEC's disapproval of CAT NMS Plan amendments concerning a proposed limitation on liability in the event of a data breach or similar event. Covington provided advice concerning CAT's response to the SEC's disapproval order. This work accounted for a minority of Covington's fees in 2021.⁶⁸

(VII) Consulting Costs

The consulting costs of \$1,408,209 represent the fees paid to Deloitte as project manager during FAM Period 3. CAT LLC continued to employ Deloitte during FAM Period 3 based on, among other things, their expertise and long history with the project. The fee rates for Deloitte during FAM Period 3 were negotiated and in line with market rates for this type of specialized consulting work. The consulting fees during FAM Period 3 were paid to Deloitte by CAT LLC. CAT LLC reviewed the consulting fees each month and approved the invoices. During FAM Period 3, Deloitte's CAT-related activities included the following:

- Implemented program operations for the CAT project;
- Provided support to the Operating Committee, the Chair of the Operating

Committee and the Leadership Team, including project management support, coordination and planning for meetings and communications, and interfacing with law firms and the SEC;

- Assisted with cost and funding matters for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided support for third-party vendors for the CAT, including FCAT, Anchin and the law firms engaged by CAT LLC.

(VIII) Insurance

The insurance costs of \$1,582,714 represent the fees paid for insurance during FAM Period 3. CAT LLC continued to maintain cyber security liability insurance, directors' and officers' liability insurance, and errors and omissions liability insurance offered by USI. After engaging in a process for renewing the coverage, CAT LLC determined to purchase these insurance policies from USI. The annual premiums for these policies were competitive for the coverage provided. The annual premiums were paid by CAT LLC to USI.

(IX) Professional and Administration Costs

The professional and administration costs of \$595,923 represent the fees paid to Anchin and Grant Thornton for financial services during FAM Period 3.

Financial Advisory Firm: Anchin. CAT LLC continued to employ Anchin during FAM Period 3 based on, among other things, their expertise and history with the project. The hourly fee rates for this firm were in line with market rates for these financial advisory services. The fees for these services during FAM Period 3 were paid by CAT LLC to Anchin. During FAM Period 3, Anchin provided a variety of services, including the following:

- Updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;

- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Accounting Firm: Grant Thornton. CAT LLC continued to employ the accounting firm Grant Thornton during FAM Period 3 based on, among other things, their expertise and cumulative knowledge of CAT LLC. CAT LLC determined that Grant Thornton was well qualified for its role and that its fixed fee rates were in line with market rates for these accountant services. The fees for these services during FAM Period 3 were paid by CAT LLC to Grant Thornton. During FAM Period 3, Grant Thornton provided audited financial statements for CAT LLC.

(X) Public Relations Costs

The public relations costs of \$92,400 represent the fees paid to Peak Strategies during FAM Period 3. CAT LLC continued to employ Peak Strategies during FAM Period 3 based on, among other things, their expertise and history with the project. The fee rates for this firm were in line with market rates for these types of services. The fees for these services during FAM Period 3 were paid by CAT LLC to Peak Strategies. During FAM Period 3, Peak Strategies continued to provide professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, the public relations firm provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan). As discussed above, such public

⁶⁸ As discussed above with regard to Pillsbury's work on liability matters, liability issues related to the CAT are important matters that needed to be resolved and clarified. CAT LLC's efforts to seek such resolution and clarity work to the benefit of Participants, Industry Members and other market participants. Moreover, such activity is a necessary part of the operation of the CAT.

relations services were important for various reasons, including monitoring comments made by market participants about the CAT and understanding issues related to the CAT discussed on the public record. By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT matters to the benefit of all market participants.

(e) Excluded Costs

Historical CAT Costs 1 would not include three categories of CAT costs ("Excluded Costs"): (1) \$14,749,362 of costs related to the termination of the relationship with the Initial Plan Processor; (2) \$48,874,937, which are all CAT costs incurred from November 15, 2017 through November 15, 2018; and (3) \$19,628,791, which are costs paid to the Initial Plan Processor from November 16, 2018 through February

2019 when the relationship with the Initial Plan Processor was concluded. The Participants would remain responsible for 100% of these costs, which total \$83,253,090. CAT LLC determined to exclude these Excluded Costs from Historical CAT Costs 1 because these costs relate to the delay in the start of reporting to the CAT and the conclusion of the relationship with the Initial Plan Processor.⁶⁹

(I) Costs Related to Conclusion of Relationship With Initial Plan Processor

First, Historical CAT Costs 1 would not include \$14,749,362 of costs related to the conclusion of the relationship with the Initial Plan Processor. Such costs include costs related to the American Arbitration Association, the legal assistance of Pillsbury with regard to the arbitration with the Initial Plan Processor, and the settlement costs

related to the arbitration with the Initial Plan Processor. The Participants would remain responsible for 100% of these \$14,749,362 in costs.

(II) Costs Incurred From November 15, 2017 through November 15, 2018

Second, Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018. CAT LLC determined to exclude all costs during this one-year period of \$48,874,937 from fees charged to Industry Members due to the delay in the start of reporting to the CAT. The Participants would remain responsible for 100% of these \$48,874,937 in costs. The following table breaks down these costs into the categories set forth in Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Operating expense	Excluded costs for November 15, 2017–November 15, 2018 *
Capitalized Developed Technology Costs	\$37,852,083
<i>Technology Costs:</i>	
Cloud Hosting Services	
Operating Fees	
CAIS Operating Fees	
Change Request Fees	
Legal	6,143,278
Consulting	4,452,106
Insurance	
Professional and administration	340,145
Public relations	87,325
Total Operating Expenses	48,874,937

* The costs described in this table of Excluded Costs were calculated based upon CAT LLC's review of applicable bills and invoices and related financial statements. CAT LLC financial statements are available on the CAT website.

The following provides additional detail regarding the Excluded Costs.

(a) Technology Costs—Cloud Hosting Services, Operating Fees, CAIS Operating Fees and Change Request Fees

CAT LLC did not incur technology costs related to the categories of cloud hosting services, operating fees, CAIS operating fees or change requests during the period from November 15, 2017 through November 15, 2018.

(b) Technology Costs—Capitalized Developed Technology Costs

Capitalized developed technology costs for the period from November 15, 2017 through November 15, 2018 include capitalizable application development costs of \$37,852,083 incurred in the development of the CAT

by the Initial Plan Processor. Such costs include development costs incurred during the application development stage to meet various agreed-upon milestones regarding the CAT, as defined in the agreement between CAT LLC and the Initial Plan Processor. Such costs include costs related to Industry Member technical specifications for orders and transactions, the system security plan, testing and production for Participant CAT reporting, third-party security assessment and response, query portal, onboarding of the Chief Information Security Officer, and ingestion of FINRA TRF data and FINRA data related to halts and corporate actions.

(c) Legal Costs

The legal costs of \$6,143,278 represent the fees paid to WilmerHale

for legal services from November 15, 2017 through November 15, 2018. During this period, WilmerHale provided legal assistance to the CAT, including with regard to the following:

- Provided legal support for the governance of the CAT, including governance support for the Operating Committee, Advisory Committee, Compliance Subcommittee, and CAT working groups;
- Assisted with the development of the CAT funding model and drafted related amendments of the CAT NMS Plan;
- Provided assistance related to CAT security;
- Drafted exemptive requests, including requests related to PII;
- Assisted with the Implementation Plan required pursuant to Section 6.6(c)(i) of the CAT NMS Plan;

⁶⁹In approving the CAT Funding Model, the Commission states that "the proposed exclusion of the excluded costs from Past CAT Costs is appropriate in the Commission's view because it

would not require all costs incurred by the Participants to be recovered from Industry Members through the Historical CAT Assessment, specifically excluding those costs related to the delay in the

start of reporting to the CAT and costs related to the conclusion of the relationship with the Initial Plan Processor." CAT Funding Model Approval Order at 13450.

- Provided interpretations of and related to the CAT NMS Plan;
- Provided advice with regard to regulator access to the CAT;
- Assisted with the Plan Processor transition;
- Provided assistance regarding communications with the industry regarding the CAT;
- Provided advice regarding Customer Account Information and PII;
- Provided support for litigation related to SEC exemptive orders; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretative and implementation issues.

(d) Consulting Costs

The consulting costs of \$4,452,106 represent the fees paid to Deloitte for their role as project manager for the CAT from November 15, 2017 through November 15, 2018. During this period, Deloitte engaged in the following activities with respect to the CAT:

- Implemented program operations for the CAT project;
- Provided governance support to the Operating Committee, including support for Subcommittees and working groups of the Operating Committee (e.g., Compliance Subcommittee, Cost and Funding Working Group, Technical Working Group, Industry Outreach Working Group, Security Working Group and Steering Committee);
- Assisted with cost and funding issues for the CAT, including the development of the CAT funding model and assistance with loans and the CAT bank account for CAT funding;
- Provided support for updating the SEC on the progress of the development of the CAT; and
- Provided active planning and coordination with and support for the Initial Plan Processor with regard to the development of the CAT, and reported to the Participants on the progress.

(e) Insurance

CAT LLC did not incur costs related to insurance during the period from November 15, 2017 through November 15, 2018.

(f) Professional and Administration Costs

The professional and administration costs of \$340,145 represent the fees paid to Anchin, Exegy and RSM from November 15, 2017 through November 15, 2018.

Financial Advisory Firm: Anchin. From the commencement of its engagement in April 2018 through November 15, 2018, Anchin engaged in

the following activities with respect to the CAT:

- Developed, updated and maintained internal controls;
- Provided cash management and treasury functions;
- Facilitated bill payments;
- Provided monthly bookkeeping;
- Reviewed vendor invoices and documentation in support of cash disbursements;
- Provided accounting research and consultations on various accounting, financial reporting and tax matters;
- Addressed not-for-profit tax and accounting considerations;
- Prepared tax returns;
- Addressed various accounting, financial reporting and operating inquiries from Participants;
- Developed and maintained quarterly and annual operating and financial budgets, including budget to actual fluctuation analyses;
- Addressed accounting and financial matters relating to the transition from CAT NMS, LLC to Consolidated Audit Trail, LLC, including supporting the dissolution of CAT NMS, LLC;
- Supported compliance with the CAT NMS Plan;
- Worked with and provided support to the Operating Committee and various CAT working groups;
- Prepared monthly, quarterly and annual financial statements;
- Supported the annual financial statement audits by an independent auditor;
- Reviewed historical costs from inception; and
- Provided accounting and financial information in support of SEC filings.

Market Data Provider: Exegy. From July 2018 through November 15, 2018, CAT LLC purchased market data from Exegy (as described in more detail above).

Security Assessment: RSM. From October 2018 through November 15, 2018, CAT LLC incurred costs for RSM's performance of a security assessment (as described in more detail above).

(g) Public Relations Costs

The public relations costs of \$87,325 represent the fees paid to Sloane from November 15, 2017 through November 15, 2018. From the commencement of its engagement in March 2018 through November 15, 2018, Sloane provided professional communications services to CAT, including media relations consulting, strategy and execution. Specifically, Sloane provided services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public

comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT (e.g., amendments to the CAT NMS Plan).

(III) Costs Paid to Initial Plan Processor From November 16, 2018 Through February 2019

Third, Historical CAT Costs 1 would not include the \$19,628,791 in costs paid to the Initial Plan Processor from November 16, 2018 through February 2019 when CAT LLC's relationship with the Initial Plan Processor concluded. CAT LLC determined that Historical CAT Costs 1 would not include any fees paid to the Initial Plan Processor after November 15, 2017,⁷⁰ which was the date by which Participants were required to begin reporting to the CAT.⁷¹ As discussed above, the Participants determined that Historical CAT Costs 1 would not include all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Initial Plan Processor costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Initial Plan Processor costs incurred after November 15, 2018 are the \$19,628,791 in costs for the period from November 16, 2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

(ii) Previously Invoiced Costs for Historical CAT Costs 1

CEBBs and CEBs collectively have been invoiced for \$173,075,024 of the \$212,039,879.34 of Historical CAT Costs 1 via Historical CAT Assessment 1, where \$86,537,512 was invoiced collectively to CEBBs and \$86,537,512 was invoiced collectively to CEBs. Accordingly, Historical CAT Assessment 1A would seek to recover the remaining \$38,964,855.34 of

⁷⁰ As discussed below, CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. See Section 3(a)(10)(E) below.

⁷¹ The SEC approved the CAT NMS Plan on November 15, 2016, and Participant reporting was required to begin on the first anniversary of this date, November 15, 2017. See Section 6.3 of the CAT NMS Plan and CAT NMS Plan Approval Order.

Historical CAT Costs 1 collectively from CEBBs and CEBBs, where CEBBs collectively will be responsible for \$19,482,427.67, and CEBBs collectively will be responsible for \$19,482,427.67.

(C) Historical Recovery Period 1A

Under the CAT NMS Plan, the Operating Committee is required to reasonably establish the length of the Historical Recovery Period used in calculating each Historical Fee Rate based upon the amount of the Historical CAT Costs to be recovered by the Historical CAT Assessment, and to describe the reasons for its length.⁷² The Historical Recovery Period used in calculating the Historical Fee Rate may not be less than 24 months or more than five years.⁷³ The Operating Committee has determined to establish a Historical Recovery Period 1A of 24 months for Historical CAT Assessment 1A.

The Operating Committee determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable Historical Fee Rate 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans to the Participants in a timely fashion. The Operating Committee determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.⁷⁴ In addition, in establishing a Historical Recovery Period of 24 months, the Operating Committee recognized that the total costs for Historical CAT Assessment 1A were less than the total costs for 2022 and 2023,⁷⁵ and therefore it would be reasonable and appropriate to recover costs subject to this filing over an approximate two-year period.⁷⁶

The length of the Historical Recovery Period 1A and the reasons for its length are provided in this filing in accordance with the requirement in the CAT NMS

Plan to provide such information in a fee filing for a Historical CAT Assessment.⁷⁷

(D) Projected Total Executed Equivalent Share Volume

The calculation of the fee rate for Historical CAT Assessment 1A also requires the determination of the projected total executed equivalent share volume of transactions in Eligible Securities for Historical Recovery Period 1A. Under the CAT NMS Plan, the Operating Committee is required to “reasonably determine the projected total executed equivalent share volume of all transactions in Eligible Securities for each Historical Recovery Period based on the executed equivalent share volume of all transactions in Eligible Securities for the prior twelve months.”⁷⁸ The Operating Committee is required to base its projection on the prior twelve months, but it may use its discretion to analyze the likely volume for the upcoming year. Such discretion would allow the Operating Committee to use its judgment when estimating projected total executed equivalent share volume if the volume over the prior twelve months was unusual or otherwise unfit to serve as the basis of a future volume estimate.⁷⁹

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. The Operating Committee has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT’s annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4), and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.⁸⁰

The projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A and a description of the calculation of the projection is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide such information in a fee filing for a Historical CAT Assessment.⁸¹

(E) Fee Rate for Historical CAT Assessment 1A

The fee rate for Historical CAT Assessment 1A would be calculated by dividing the total amount of costs to be recovered by Historical CAT Assessment 1A by the reasonably projected total executed equivalent share volume of all transactions in Eligible Securities for Historical Recovery Period 1A, and dividing by 2. Specifically, the fee rate for Historical CAT Assessment 1A would be calculated by dividing \$38,964,855.34 by 11,961,875,098,720.98, and then dividing by 2, which equals \$0.00000162871017371542 per executed equivalent shares. Rounding this to six decimal places results in a fee rate of \$0.000002 per executed equivalent share.⁸² This fee rate is provided in this filing in accordance with the requirement in the CAT NMS Plan to provide the Historical Fee Rate in a fee filing for a Historical CAT Assessment.⁸³

(3) Past CAT Costs and Participants

Participants would not be required to pay any fees associated with Historical CAT Assessment 1A as the Participants previously have paid all Past CAT Costs. The CAT NMS Plan explains that:

Because Participants previously have paid Past CAT Costs via loans to the Company, Participants would not be required to pay any Historical CAT Assessment. In lieu of a Historical CAT Assessment, the Participants’ one-third share of Historical CAT Costs and such other additional Past CAT Costs as reasonably determined by the Operating Committee will be paid by the cancellation of loans made to the Company on a pro rata basis based on

⁷² Section 11.3(b)(i)(D)(I) and Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

⁷³ Section 11.3(b)(i)(D)(I) of the CAT NMS Plan. In the CAT Funding Model Approval Order, the SEC stated that “[i]n the Commission’s view, it is appropriate for the Operating Committee to establish the length of the Historical Recovery Period to be no less than 24 months and no more than five years.” CAT Funding Model Approval Order at 13451.

⁷⁴ For example, as the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model at 13469.

⁷⁵ The total CAT costs for 2022 were approximately \$186 million and the total CAT costs for 2023 were approximately \$233 million.

⁷⁶ Note that the proposed 24-month recovery period also recognizes the prohibition on the collection of Historical CAT Assessments after March 31, 2028 as set forth in Section 11.3(f) of the CAT NMS Plan.

⁷⁷ Section 11.3(b)(iii)(B)(II)(C) of the CAT NMS Plan.

⁷⁸ Section 11.3(b)(i)(E) of the CAT NMS Plan.

⁷⁹ CAT Funding Model Approval Order at 13452.

⁸⁰ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

⁸¹ Section 11.3(b)(iii)(B)(II)(D) of the CAT NMS Plan.

⁸² As the SEC noted in approving the CAT Funding Model, the fee filing would provide the exact fee per executed equivalent share and describe the relevant number of decimal places for the fee rate. CAT Funding Model Approval Order at 13445, n.677. The Operating Committee determined to use six decimal places to balance the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

⁸³ Section 11.3(b)(iii)(B)(II)(A) of the CAT NMS Plan.

the outstanding loan amounts due under the loans.⁸⁴

The CAT NMS Plan further states that “Historical CAT Assessments are designed to recover two-thirds of the Historical CAT Costs.”⁸⁵

(4) Monthly Fees

CEBBs and CEBSs would be required to pay fees for Historical CAT Assessment 1A on a monthly basis for the period in which Historical CAT Assessment 1A is in effect.⁸⁶ A CEBB or CEBS's fee for each month would be calculated based on the transactions in Eligible Securities executed by the CEBB or CEBS from the prior month.⁸⁷ Proposed paragraph (a)(2)(A) of the fee schedule would state that each CAT Executing Broker would receive its first invoice in June 2026, and “would receive an invoice each month thereafter in which Historical CAT Assessment 1A is in effect.” Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” In addition, paragraph (b)(1) of the fee schedule states that each CEBB and CEBS is required to pay its CAT fees “each month.”

(5) Actual Recovery Period for Historical CAT Assessment 1A

The CAT NMS Plan states that, “[n]otwithstanding the length of the Historical Recovery Period used in calculating the Historical Fee Rate, each Historical CAT Assessment calculated using the Historical Fee Rate will remain in effect until all Historical CAT Costs for the Historical CAT Assessment are collected.”⁸⁸ Accordingly, Historical CAT Assessment 1A will remain in effect until the remaining \$38,964,855.34 of Historical CAT Costs 1 have been collected.⁸⁹ The actual recovery period for Historical CAT

Assessment 1A may be shorter or longer than Historical Recovery Period 1A depending on the actual executed equivalent share volumes during the time that Historical CAT Assessment 1A is in effect and subject to any time limitation in the CAT NMS Plan.⁹⁰

(6) Consolidated Audit Trail Funding Fees

To implement Historical CAT Assessment 1A, a new section would be added to the Exchange's fee schedule for “Consolidated Audit Trail Funding Fees”, and it would include the proposed paragraphs described below.

(A) Fee Schedule for Historical CAT Assessment 1A

The CAT NMS Plan states that: Each month in which a Historical CAT Assessment is in effect, each CEBB and each CEBS shall pay a fee for each transaction in Eligible Securities executed by the CEBB or CEBS from the prior month as set forth in CAT Data, where the Historical CAT Assessment for each transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by one-third and by the Historical Fee Rate reasonably determined pursuant to paragraph (b)(i) of this Section 11.3.⁹¹

Accordingly, based on the factors discussed above, the Exchange proposes to add paragraph (a)(2) to the Consolidated Audit Trail Funding Fees section of its fee schedule. Proposed paragraph (a)(2) would state the following:

(A) Each CAT Executing Broker shall receive its first invoice for Historical CAT Assessment 1A in June 2026, which shall set forth the Historical CAT Assessment 1A fees calculated based on transactions in May 2026, and shall receive an invoice for Historical CAT Assessment 1A for each month thereafter in which Historical CAT Assessment 1A is in effect.

(B) Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis. Each month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by

multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.

(C) Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time. Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.

(D) Each CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).

Proposed paragraph (a)(2)(B) of the fee schedule would set forth the fee rate of \$0.000002 per executed equivalent share for Historical CAT Assessment 1A, which is calculated as discussed above.

The proposed language in paragraph (a)(2)(B) of the fee schedule would describe when CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A. Specifically, CAT Executing Brokers would receive their first monthly invoice for Historical CAT Assessment 1A in June 2026 and the fees set forth in that invoice would be calculated based on transactions executed in the prior month, that is, transactions executed in May 2026. The payment for the first invoice would be required within 30 days after the receipt of the first invoice (unless a longer period is indicated), as described in paragraph (b)(2) of the fee schedule.

Proposed paragraph (a)(2)(A) of the fee schedule also would describe the monthly cadence of the invoices for Historical CAT Assessment 1A. Specifically, after the first invoices are provided to CAT Executing Brokers in June 2026, invoices will be sent to CAT Executing Brokers each month thereafter while Historical CAT Assessment 1A is in effect.

Proposed paragraph (a)(2)(B) of the fee schedule would describe the invoices for Historical CAT Assessment 1A. Proposed paragraph (a)(2)(B) of the fee schedule would state that “Consolidated Audit Trail, LLC shall provide each CAT Executing Broker with an invoice for Historical CAT Assessment 1A on a monthly basis.” Proposed paragraph (a)(2)(B) of the fee schedule also would describe the fees to be set forth in the invoices for Historical CAT Assessment 1A. Specifically, it would state that “[e]ach month, such invoices shall set forth a fee for each transaction in Eligible Securities executed by the CAT Executing Broker in its capacity as a

⁸⁴ Section 11.3(b)(ii) of the CAT NMS Plan.

⁸⁵ *Id.* In approving the CAT Funding Model, the Commission stated that the proposed allocation of the Historical CAT Assessment solely to CEBSs and CEBBs is appropriate. The Historical CAT Assessment will still be divided into thirds, as the Participants' one-third share of Historical CAT Costs will be paid by the cancellation of loans made to the Company. CAT Funding Model Approval Order at 13453.

⁸⁶ See Section 11.3(b)(iii)(A) of the CAT NMS Plan.

⁸⁷ See proposed paragraph (a)(2)(B) of the fee schedule.

⁸⁸ Section 11.3(b)(i)(D)(II) of the CAT NMS Plan.

⁸⁹ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission's view, it is appropriate for Industry Members to be charged a Historical CAT Assessment until all Historical CAT Costs for the Historical CAT Assessment are collected.” CAT Funding Model Approval Order at 13452.

⁹⁰ Section 11.3(f) of the CAT NMS Plan would prohibit the billing of Historical CAT Assessments after March 31, 2028.

⁹¹ Section 11.3(b)(iii)(A) of the CAT NMS Plan.

CAT Executing Broker for the Buyer (“CEBB”) and/or the CAT Executing Broker for the Seller (“CEBS”) (as applicable) from the prior month as set forth in CAT Data. The fee for each such transaction will be calculated by multiplying the number of executed equivalent shares in the transaction by the fee rate of \$0.000002 per executed equivalent share.”

Furthermore, proposed paragraph (a)(2)(C) of the fee schedule would describe how long Historical CAT Assessment 1A would remain in effect. It would state that “Historical CAT Assessment 1A will remain in effect until \$38,964,855.34 is collected from CAT Executing Brokers collectively, which is estimated to be approximately two years, but could be for a longer or shorter period of time.” This proposed paragraph would further state that “Consolidated Audit Trail, LLC will provide notice when Historical CAT Assessment 1A will no longer be in effect.”

Historical CAT Assessment 1A will be assessed for all transactions executed in each month through the end of the month in which \$38,964,855.34 is assessed, and then CAT LLC will provide notice that Historical CAT Assessment 1A is no longer in effect. Since Historical CAT Assessment 1A is a monthly fee based on transaction volume from the prior month, Historical CAT Assessment 1A may collect more than \$38,964,855.34. To the extent that occurs, any excess money collected during the final month in which Historical CAT Assessment 1A is in effect will be used to offset future fees and/or to fund the reserve for the CAT.

Finally, proposed paragraph (a)(2)(D) of the fee schedule sets forth the requirement for the CAT Executing Brokers to pay the invoices for Historical CAT Assessment 1A. It would state that “[e]ach CAT Executing Broker shall be required to pay each invoice for Historical CAT Assessment 1A in accordance with paragraph (b).”

(B) Manner of Payment

Paragraph (b)(1) of the “Consolidated Audit Trail Funding Fees” section of its fee schedule describes the manner of payment of Industry Member CAT fees. Paragraph (b)(1) states that “[e]ach CAT Executing Broker shall pay its CAT fees as required pursuant to paragraph (a) each month to the Consolidated Audit Trail, LLC in the manner prescribed by the Consolidated Audit Trail, LLC.” The CAT NMS Plan requires the Operating Committee to establish a system for the collection of CAT fees.⁹² The Plan

Processor has established a billing system for CAT fees.⁹³ Therefore, the Exchange proposes to require CAT Executing Brokers to pay Historical CAT Assessment 1A in accordance with such system.

(C) Failure to Pay CAT Fees

The CAT NMS Plan further states that:

Participants shall require each Industry Member to pay all applicable fees authorized under this Article XI within thirty (30) days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If an Industry Member fails to pay any such fee when due (as determined in accordance with the preceding sentence), such Industry Member shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of: (a) the Prime Rate plus 300 basis points; or (b) the maximum rate permitted by applicable law.⁹⁴

Accordingly, the Exchange previously has added this requirement to the Exchange’s fee schedule. Specifically, paragraph (b)(2) of the fee schedule states:

Each CAT Executing Broker shall pay the CAT fees required pursuant to paragraph (a) within thirty days after receipt of an invoice or other notice indicating payment is due (unless a longer payment period is otherwise indicated). If a CAT Executing Broker fails to pay any such CAT fee when due, such CAT Executing Broker shall pay interest on the outstanding balance from such due date until such fee is paid at a per annum rate equal to the lesser of (i) the Prime Rate plus 300 basis points, or (ii) the maximum rate permitted by applicable law.

The requirements of paragraph (b)(2) would apply to Historical CAT Assessment 1A.

(7) Historical CAT Assessment Details

The CAT NMS Plan states that: Details regarding the calculation of a CAT Executing Broker’s Historical CAT Assessment will be provided upon request to such CAT Executing Broker. At a minimum, such details would include each CAT Executing Broker’s executed equivalent share volume and

⁹³ The billing process and system are described in CAT Alert 2023–02 as well as the CAT FAQs related to the billing of CAT fees, the Industry Member CAT Reporter Portal User Guide, the FCAT Industry Member Onboarding Guide, the FCAT Connectivity Supplement for Industry Members and the CAT Billing Webinars (dated Sept. 28, 2023, and Nov. 7, 2023), each available on the CAT website.

⁹⁴ Section 11.4 of the CAT NMS Plan.

corresponding fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise than on an exchange, and (3) by buy-side transactions and sell-side transactions.⁹⁵

Such information would provide CEBBs and CEBSs with the ability to understand the details regarding the calculation of their Historical CAT Assessment.⁹⁶ CAT LLC will provide CAT Executing Brokers with these details regarding the calculation of their Historical CAT Assessments on their monthly invoice for the Historical CAT Assessment.

In addition, CAT LLC will make certain aggregate statistics regarding Historical CAT Assessments publicly available. Specifically, the CAT NMS Plan states that, “[f]or each Historical CAT Assessment, at a minimum, CAT LLC will make publicly available the aggregate executed equivalent share volume and corresponding aggregate fee by (1) Listed Options, NMS Stocks and OTC Equity Securities, (2) by transactions executed on each exchange and transactions executed otherwise on an exchange, and (3) by buy-side transactions and sell-side transactions.”⁹⁷ Such aggregate statistics will be available on the CAT website.

Furthermore, CAT LLC will make publicly available on the CAT website the total amount invoiced each month that Historical CAT Assessment 1A is in effect as well as the total amount invoiced for Historical CAT Assessment 1A for all months since its commencement. CAT LLC also will make publicly available on the CAT website the total costs to be collected from Industry Members for Historical CAT Assessment 1A. By reviewing statistics regarding how much has been invoiced and how much remains to be invoiced for Historical CAT Assessment 1A, Industry Members would have sufficient information to reasonably track how much longer Historical CAT Assessment 1A is likely to be in place.

⁹⁵ Section 11.3(a)(iv)(A) of the CAT NMS Plan.

⁹⁶ In approving the CAT Funding Model, the Commission stated that, “[i]n the Commission’s view, providing CAT Execut[ing] Brokers information regarding the calculation of their CAT Fees will aid in transparency and permit CAT Execut[ing] Brokers to confirm the accuracy of their invoices for CAT Fees.” CAT Funding Model Approval Order at 13454.

⁹⁷ Section 11.3(a)(iv)(B) of the CAT NMS Plan. In approving the CAT Funding Model, the Commission stated that “[t]he publication of the aggregate executed equivalent share volume and aggregate fee is appropriate because it would allow Participants and CAT Executing Brokers a high-level validation of executed volume and fees.” CAT Funding Model Approval Order at 13454.

⁹² Section 11.4 of the CAT NMS Plan.

(8) Billing Implementation

To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

(9) Financial Accountability Milestones

The CAT NMS Plan states that “[n]o Participant will make a filing with the SEC pursuant to Section 19(b) of the Exchange Act regarding any Historical CAT Assessment until any applicable Financial Accountability Milestone described in Section 11.6 has been satisfied.”⁹⁸ The CAT NMS Plan further states that “in all filings submitted by the Participants to the Commission under Section 19(b) of the Exchange Act, to establish or implement Post-Amendment Industry Member Fees pursuant to this Article, . . . the Participants shall clearly indicate whether such fees are related to Post-Amendment Expenses incurred during Period 1, Period 2, Period 3, or Period 4.”⁹⁹ As discussed in detail below, all applicable Financial Accountability Milestones for Historical CAT Assessment 1A—that is, Period 1, Period 2 and Period 3 of the Financial Accountability Milestones—have been satisfied. Furthermore, as discussed below, this filing clearly indicates that Historical CAT Assessment 1A relates to Post-Amendment Expenses incurred during Periods 1, 2 and 3 of the Financial Accountability Milestones.

(A) Period 1 of the Financial Accountability Milestones

In accordance with Section 11.6(b) of the CAT NMS Plan, Historical CAT Assessment 1A seeks to recover costs that are related to “all fees, costs, and expenses (including legal and consulting fees, costs, and expenses) incurred by or for the Company in connection with the development, implementation and operation of the CAT from the effective date of [Section 11.6 of the CAT NMS Plan] until such time as Full Implementation of CAT NMS Plan Requirements has been achieved”¹⁰⁰ (“Post-Amendment Expenses”) incurred during FAM Period 1. FAM Period 1 began on June 22, 2020, the effective date of Section 11.6

of the CAT NMS Plan, and concluded on July 31, 2020, the date of Initial Industry Member Core Equity and Options Reporting. Section 1.1 of the CAT NMS Plan defines “Initial Industry Member Core Equity and Options Reporting” as:

The reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of both: (a) equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information; and (b) options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information.

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports.¹⁰¹ As indicated by the Participants’ Quarterly Progress Report for the third quarter of 2020,¹⁰² Initial Industry Member Core Equity and Option Reporting was completed on schedule on July 22, 2020, which is prior to the July 31, 2020 deadline.

Under the FAM Period 1 requirement of Initial Industry Member Core Equity and Options Reporting, Industry Members—excluding Small Industry Members that are not OATS reporters—were required to report two categories of data to the CAT: equities transaction data and options transaction data (both excluding Customer Account Information, Customer-ID, and Customer Identifying Information) by July 31, 2020. Pursuant to exemptive relief provided by the Commission, the Commission authorized the Participants’ Compliance Rules to allow core equity reporting for Industry Members (Phase 2a) to begin on June 22, 2020 and core options reporting for Industry Members (Phase 2b) to begin on July 20, 2020.¹⁰³

¹⁰¹ The Quarterly Progress Reports are available at <https://www.catnmsplan.com/implementation-plan>.

¹⁰² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020) and Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021).

¹⁰³ See Phased Reporting Exemptive Relief Order. Under the CAT NMS Plan as adopted, the Participants were required, through their Compliance Rules, to require their Large Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2018, and to require their Small Industry Members to commence reporting Industry Member Data to the Central Repository by November 15, 2019. Sections 6.7(a)(v) and (vi) of the CAT NMS Plan. The SEC granted exemptive relief from these provisions of the CAT NMS Plan to allow for the phased implementation of Industry Member reporting via five phases addressing the reporting requirements for Phase 2a Industry Member Data, Phase 2b Industry Member Data, Phase 2c Industry

In adopting the FAMs, the Commission stated that the equities transaction reporting required for FAM Period 1 “is consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Equities 2a file submission and data integrity validations.’”¹⁰⁴ The Phase 2a Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the following data related to Eligible Securities that are equities:

- All events and scenarios covered by OATS, which includes information related to the receipt or origination of orders, order transmittal, and order modifications, cancellations and executions;

- Reportable Events for: (1) proprietary orders, including market maker orders, for Eligible Securities that are equities; (2) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) sent to a national securities exchange or FINRA’s Alternative Display Facility (“ADF”); (3) electronic quotes in unlisted Eligible Securities (*i.e.*, OTC Equity Securities) received by an Industry Member operating an interdealer quotation system (“IDQS”); and (4) electronic quotes in unlisted Eligible Securities sent to an IDQS or other quotation system not operated by a Participant or Industry Member;

- Firm Designated IDs (“FDIDs”), which Industry Members must report to the CAT as required by Sections 6.3(d)(i)(A) and 6.4(d)(ii)(C) of the CAT NMS Plan;

- Industry Members would be required to report all street side representative orders, including both agency and proprietary orders and mark such orders as representative orders, except in certain limited exceptions as described in the Industry Member Technical Specifications;

- The link between the street side representative order and the order being represented when: (1) the representative order was originated specifically to represent a single order received either from a customer or another broker-dealer; and (2) there is (a) an existing direct electronic link in the Industry Member’s system between the order being represented and the representative order and (b) any resulting executions are immediately and automatically applied to the represented order in the Industry Member’s system;

Member Data, Phase 2d Industry Member Data and Phase 2e Industry Member Data.

¹⁰⁴ Securities Exchange Act Rel. No. 88890 (May 15, 2020), 85 FR 31322, 31330 n.97 (May 22, 2020) (“FAM Adopting Release”).

⁹⁸ Section 11.3(b)(iii)(B)(III) of the CAT NMS Plan.

⁹⁹ Section 11.6(b) of the CAT NMS Plan.

¹⁰⁰ Section 11.6 of the CAT NMS Plan.

- Manual and Electronic Capture Time for Manual Order Events;
- Special handling instructions for the original receipt or origination of an order during Phase 2a; and
- When routing an order, whether the order was routed as an intermarket sweep order (“ISO”).

In Phase 2a, Industry Members were not required to report modifications of a previously routed order in certain limited instances, nor were they required to report a cancellation of an order received from a Customer after the order has been executed.¹⁰⁵

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Equities 2a file submission and data integrity validation (Large Industry Members and Small OATS Reporters)” was completed on June 22, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “equities transaction data, excluding Customer Account Information, Customer-ID, and Customer Identifying Information” was completed on June 22, 2020.

In adopting the FAMs, the Commission stated that the options transaction reporting required for FAM Period 1 is “consistent with the functionality that the Participants describe on the CAT NMS Plan website as ‘Production Go-Live for Options 2b file submission and data integrity validations.’”¹⁰⁶ The Phase 2b Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order, and includes the Industry Member Data related to Eligible Securities that are options and related to simple electronic option orders, excluding electronic paired option orders. A simple electronic option order is an order to buy or sell a single option that is not related to or dependent on any other transaction for pricing and timing of execution that is either received or routed electronically by an Industry Member. Electronic receipt of an order is defined as the initial receipt of an order by an Industry Member in electronic form in standard format directly into an order handling or execution system. Electronic routing of an order is the routing of an order via electronic medium in standard format from one Industry Member’s order handling or execution system to an exchange or another Industry Member. An electronic paired option order is an electronic option order that contains

both the buy and sell side that is routed to another Industry Member or exchange for crossing and/or price improvement as a single transaction on an exchange. Responses to auctions of simple orders and paired simple orders would be reportable in Phase 2b. Furthermore, combined orders in options would be treated in Phase 2b in the same way as equity representative orders are treated in Phase 2a. A combined order would mean, as permitted by SRO rules, a single, simple order in Listed Options created by combining individual, simple orders in Listed Options from a customer with the same exchange origin code before routing to an exchange. During Phase 2b, the single combined order sent to an exchange must be reported and marked as a combined order, but the linkage to the underlying orders is not required to be reported until Phase 2d.¹⁰⁷

The Quarterly Progress Report for the third quarter of 2020 states that “Interim Step: Production Go-Live for Options 2b file submission and data integrity validations” was completed on July 20, 2020. Accordingly, the FAM Period 1 requirement of reporting by Industry Members (excluding Small Industry Members that are not OATS reporters) of “options transaction data, excluding Customer Account Information, Customer-ID and Customer Identifying Information” was completed on July 20, 2020.

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from June 22, 2020 through July 31, 2020. The total costs for this period, as discussed above, are \$6,377,343. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$2,125,781) and CEBBs paying one-third (\$2,125,781) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(B) Period 2 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 2. FAM Period 2 began on August 1, 2020, and concluded on December 31, 2020, the date of the Full

Implementation of Core Equity Reporting. Section 1.1 of the CAT NMS Plan defines “Full Implementation of Core Equity Reporting” as:

the point at which: (a) Industry Member reporting (excluding reporting by Small Industry Members that are not OATS reporters) for equities transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, is developed, tested, and implemented at a 5% Error Rate or less and with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, and trade reporting facilities linkage to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, excluding linkage of representative orders, from order origination through order execution or order cancellation; and (b) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3 and Section 8.2.1 incorporates the Industry Member equities transaction data described in condition (a) and is available to the Participants and to the Commission. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2020,¹⁰⁸ Full Implementation of Core Equity Reporting was completed on schedule by December 31, 2020.

Specifically, the Full Implementation of Core Equity Reporting requires the satisfaction of two prongs. The first prong requires Participants to have fully implemented the first phase of equities transaction reporting for Industry Members (excluding Small Industry Members that are not OATS reporters) at an Error Rate of less than 5%. In addition, equities transaction data produced by the CAT at this stage must also be sufficiently interlinked so as to permit full analysis of an order’s lifecycle across the national market, excluding full linkage of representative orders. As CAT LLC reported on its Quarterly Progress Reports, Phase 2a was fully implemented as of October 26, 2020, including intra-firm, inter-firm, national securities exchange, and trade

¹⁰⁵ Phased Reporting Exemptive Relief Order at 23076–78.

¹⁰⁶ FAM Adopting Release at 31330, n.98.

¹⁰⁷ Phased Reporting Exemptive Relief Order at 23078.

¹⁰⁸ Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

reporting facilities linkages.¹⁰⁹ In addition to the reporting of Phase 2a Industry Member Data as described above with regard to FAM Period 1, the following linkage data was added to the CAT as described in the Quarterly Progress Reports for the third and fourth quarter of 2020:

- “Production Go-Live for Equities 2a Intrafirm Linkage validations” was completed on 7/27/2020;¹¹⁰
- “Production Go-Live for Firm to Firm Linkage validations for Equities 2a (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020; and
- “Production Go-Live for Equities 2a Exchange and TRF Linkage validations (Large Industry Members and Small OATS Reporters)” was completed on October 26, 2020.

Furthermore, as CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2020, the average overall error rate for Phase 2a Industry Member Data was less than 5% as of December 31, 2020. The average overall error rate was calculated by dividing the compliance errors by processed records.

The second prong of this FAM requires that the equities transaction data collected by the CAT at this stage be made available to regulators through two basic query tools required by the CAT NMS Plan—a targeted query tool that will enable regulators to retrieve data via an online query screen with a variety of predefined selection criteria, and a user-defined direct query tool that will provide regulators with the ability to query data using all available attributes and data sources.¹¹¹ As CAT LLC reported on its Quarterly Progress Reports, the query tool functionality incorporating the data from Phase 2a was available to the Participants and the Commission as of December 31, 2020.¹¹²

The Commission has determined that the Participants have sufficiently complied with the conditions set forth

in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹¹³

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from August 1, 2020 through December 31, 2020. The total costs for this period, as discussed above, are \$42,976,478. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remaining two-thirds, with CEBBs paying one-third (\$14,325,492.70) and CEBBs paying one-third (\$14,325,492.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(C) Period 3 of the Financial Accountability Milestones

Historical CAT Assessment 1A seeks to recover costs that are related to Post-Amendment Expenses incurred during FAM Period 3. FAM Period 3 began on January 1, 2021, and concluded on December 31, 2021, the date of the Full Availability and Regulatory Utilization of Transactional Database Functionality. Section 1.1 of the CAT NMS Plan defines “Full Availability and Regulatory Utilization of Transactional Database Functionality” as:

the point at which: (a) reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders; (b) Industry Member reporting for equities transactions and simple electronic options transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with sufficient intra-firm linkage, inter-firm linkage, national securities exchange linkage, trade reporting facilities linkage, and representative order linkages (including any equities allocation information provided in an Allocation Report) to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, is developed, tested, and implemented at a 5% Error Rate or less; (c) Industry Member reporting for manual options transactions and complex options

transactions, excluding Customer Account Information, Customer-ID, and Customer Identifying Information, with all required linkages to permit the Participants and the Commission to analyze the full lifecycle of an order across the national market system, from order origination through order execution or order cancellation, including any options allocation information provided in an Allocation Report, is developed, tested, and fully implemented; (d) the query tool functionality required by Section 6.10(c)(i)(A) and Appendix D, Sections 8.1.1–8.1.3, Section 8.2.1, and Section 8.5 incorporates the data described in conditions (b)–(c) and is available to the Participants and to the Commission; and (e) the requirements of Section 6.10(a) are met. This Financial Accountability Milestone shall be considered complete as of the date identified in a Quarterly Progress Report meeting the requirements of Section 6.6(c).

Under Section 1.1 of the CAT NMS Plan, this Financial Accountability Milestone is considered complete as of the date identified in the Participants’ Quarterly Progress Reports. As indicated by the Participants’ Quarterly Progress Report for the fourth quarter of 2021,¹¹⁴ Full Availability and Regulatory Utilization of Transactional Database Functionality was completed on schedule by December 31, 2021.

Specifically, the “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires the satisfaction of five prongs. The first prong requires that reporting to the Order Audit Trail System (“OATS”) is no longer required for new orders. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021,¹¹⁵ FINRA retired OATS effective September 1, 2021.¹¹⁶ Accordingly, after the retirement of OATS, reporting to OATS was no longer required.

In addition to Phase 2a and Phase 2b Industry Member Data, the second and third prongs of “Full Availability and Regulatory Utilization of Transactional Database Functionality” require Industry Member reporting of Phase 2c Industry Member Data and Phase 2d Industry Member Data. The Phase 2c Industry Member Data is described in detail in the SEC’s Phased Reporting Exemptive Relief Order. That Order states that “Phase 2c Industry Member Data” is Industry Member Data related to Eligible Securities that are equities

¹⁰⁹ For a description of the requirements of Phases 2a, see Phased Reporting Exemptive Relief Order.

¹¹⁰ Q3 2020 Quarterly Progress Report (Oct. 20, 2021).

¹¹¹ At the time of this FAM, Section 6.10(c)(i)(A) of the CAT NMS Plan required the Plan Processor to “provide Participants and the SEC with access to all CAT Data stored in the Central Repository” via an “online targeted query tool,” and Appendix D, Sections 8.1.1–8.1.3 of the CAT NMS Plan described the required functionality associated with this regulatory tool. Appendix D, Section 8.2.1 describes the required functionality associated with a user-defined direct query tool that will “deliver large sets of data that can then be used in internal surveillance or market analysis applications.”

¹¹² See Q3 2020 Quarterly Progress Report (Oct. 30, 2020); Updated Q3 2020 Quarterly Progress Report (Jan. 29, 2021); and Q4 2020 Quarterly Progress Report (Jan. 29, 2021).

¹¹³ Securities Exchange Act Rel. No. 98848 (Nov. 2, 2023), 88 FR 77128, 77129 n.13 (Nov. 8, 2023) (“Settlement Exemptive Order”).

¹¹⁴ Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁵ *Id.*

¹¹⁶ Securities Exchange Act Rel. No. 92239 (June 23, 2021), 86 FR 34293 (June 29, 2021).

other than Phase 2a Industry Member Data, Phase 2d Industry Member Data, or Phase 2e Industry Member Data. Specifically, the Phase 2c Industry Member Data includes Industry Member Data that is related to Eligible Securities that are equities and that is related to: (1) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (2) quotes in unlisted Eligible Securities sent to an IDQS operated by a CAT Reporter (reportable by the Industry Member sending the quotes) (except for quotes reportable in Phase 2d, as discussed below); (3) electronic quotes in listed equity Eligible Securities (*i.e.*, NMS stocks) that are not sent to a national securities exchange or FINRA's Alternative Display Facility; (4) reporting changes to client instructions regarding modifications to algorithms; (5) marking as a representative order any order originated to work a customer order in price guarantee scenarios, such as a guaranteed VWAP; (6) flagging rejected external routes to indicate a route was not accepted by the receiving destination; (7) linkage of duplicate electronic messages related to a Manual Order Event between the electronic event and the original manual route; (8) special handling instructions on order route reports (other than the ISO, which is required to be reported in Phase 2a); (9) quote identifier on trade events; (10) reporting of LTIDs (if applicable) for accounts with Reportable Events that are reportable to CAT as of and including Phase 2c; (11) reporting of date account opened or Account Effective Date (as applicable) for accounts and reporting of a flag indicating the Firm Designated ID type as account or relationship; (12) order effective time for orders that are received by an Industry Member and do not become effective until a later time; (13) the modification or cancellation of an internal route of an order; and (14) linkages to the customer orders(s) being represented for representative order scenarios, including agency average price trades, net trades, aggregated orders, and disconnected Order Management System ("OMS")—Execution Management System ("EMS") scenarios, as required in the Industry Member Technical Specifications.¹¹⁷

Phase 2c Industry Member Data also includes electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are equities and are provided by an

Industry Member to other market participants off a national securities exchange under the following conditions: (1) an equity bid or offer is displayed publicly or has been communicated (a) for listed securities to the ADF operated by FINRA; or (b) for unlisted equity securities to an "interdealer quotation system," as defined in FINRA Rule 6420(c); or (2) an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing; *i.e.*, no further manual or electronic action is required by the responder providing the quote in order to execute or cause a trade to be executed). With respect to OTC Equity Securities, OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter (other than such an IDQS that does not match and execute orders) are reportable by the Industry Member sending them in Phase 2c. Accordingly, any response to a request for quote or other form of solicitation response provided in a standard electronic format (*e.g.*, FIX) that meets this quote definition (*i.e.*, an equity bid or offer which is accessible electronically by customers or other market participants and is immediately actionable for execution or routing) would be reportable in Phase 2c.¹¹⁸

The Phase 2d Industry Member Data is described in detail in the SEC's Phased Reporting Exemptive Relief Order. "Phase 2d Industry Member Data" is Industry Member Data that is related to Eligible Securities that are options other than Phase 2b Industry Member Data, Industry Member Data that is related to Eligible Securities that are equities other than Phase 2a Industry Member Data or Phase 2c Industry Member Data, and Industry Member Data other than Phase 2e Industry Member Data. Phase 2d Industry Member Data includes with respect to the Eligible Securities that are options: (1) simple manual orders; (2) electronic and manual paired orders; (3) all complex orders with linkages to all CAT-reportable legs; (4) LTIDs (if applicable) for accounts with Reportable Events for Phase 2d; (5) date account opened or Account Effective Date (as applicable) for accounts with an LTID and flag indicating the Firm Designated ID type as account or relationship for such accounts; (6) Allocation Reports as required to be recorded and reported to the Central Repository pursuant to Section 6.4(d)(ii)(A)(1) of the CAT NMS Plan; (7) the modification or cancellation of an internal route of an

order; and (8) linkage between a combined order and the original customer orders. Phase 2d Industry Member Data also would include electronic quotes that are provided by or received in a CAT Reporter's order/quote handling or execution systems in Eligible Securities that are options and are provided by an Industry Member to other market participants off a national securities exchange under the following conditions: a listed option bid or offer which is accessible electronically by customers or other market participants and is immediately actionable (*i.e.*, no further action is required by the responder providing the quote in order to execute or cause a trade to be executed). Accordingly, any response to a request for quote or other form of solicitation response provided in standard electronic format (*e.g.*, FIX) that meets this definition is reportable in Phase 2d for options.¹¹⁹

Phase 2d Industry Member Data also includes with respect to Eligible Securities that are options or equities (1) receipt time of cancellation and modification instructions through Order Cancel Request and Order Modification Request events; (2) modifications of previously routed orders in certain instances; and (3) OTC Equity Securities quotes sent by an Industry Member to an IDQS operated by an Industry Member CAT Reporter that does not match and execute orders. In addition, subject to any exemptive or other relief, Phase 2d Industry Member Data will include verbal or manual quotes on an exchange floor or in the over-the-counter market, where verbal quotes and manual quotes are defined as bids or offers in Eligible Securities provided verbally or that are provided or received other than via a CAT Reporter's order handling and execution system (*e.g.*, quotations provided via email or instant messaging).¹²⁰

The Quarterly Progress Report for the fourth quarter of 2021 states that "Phase 2a was fully implemented as of October 26, 2020;" "Phase 2b was fully implemented as of January 4, 2021;" "Phase 2c was implemented as of April 26, 2021;" and "Phase 2d was fully implemented as of December 13, 2021."¹²¹ The Quarterly Progress Reports for 2021 provide additional detail regarding the implementation of these steps including the following:

- "Production Go-Live for Equities 2c reporting requirements (Large Industry

¹¹⁹ *Id.*

¹²⁰ *Id.* at 23079–80.

¹²¹ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹¹⁷ Phase Reporting Exemptive Relief Order at 23078–79.

¹¹⁸ *Id.* at 23079.

Members)” was completed on April 26, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b and 2c (Large Industry Members)” was completed on April 26, 2021;

- “FCAT Plan Processor creates linkages of the lifecycle of order events based on the received data through Phase 2d Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Large Industry Members)” was completed on December 13, 2021;

- “Production Go-Live for Options 2b reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Equities 2c reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “Production Go-Live for Options 2d reporting requirements (Small OATS Reporters and Small Non-OATS Reporters)” was completed on December 13, 2021;

- “LTID Account Information Reporting Go-Live for Phases 2d (Large Industry Members)” was completed on December 13, 2021; and

- “LTID Account Information Reporting Go-Live for Phases 2a, 2b, 2c and 2d (Small Industry Members)” was completed on December 13, 2021.¹²²

The third prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” also imposes an Error Rate requirement of 5% or less. The Quarterly Progress Report for the fourth quarter of 2021 states the average overall error rate was less than 5% as of December 31, 2021. The average overall error rate was calculated by dividing the compliance errors by processed records.

The fourth prong of “Full Availability and Regulatory Utilization of Transactional Database Functionality” requires that the data collected by the CAT at this stage be made available to regulators through an online targeted query tool and a user-defined direct query tool. As CAT LLC reported on its Quarterly Progress Report for the fourth quarter of 2021, the query tool functionality incorporating the data from Phases 2a, 2b, 2c and 2d was

available to the Participants and to the Commission as of December 31, 2021.¹²³

The fifth prong requires the requirements of Section 6.10(a) of the CAT NMS Plan to have been met. Section 6.10(a) of the CAT NMS Plan requires the Participants to use the tools described in Appendix D to “develop and implement a surveillance system, or enhance existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository.” The Exchange implemented a surveillance system, or enhanced existing surveillance systems, reasonably designed to make use of the consolidated information contained in the Central Repository as of December 31, 2021 in accordance with Section 6.10(a) of the CAT NMS Plan.¹²⁴

The Commission has determined that the Participants have sufficiently complied with the conditions set forth in the 2020 Orders and with the technical requirements for Quarterly Progress Reports set forth in Section 6.6(c) of the CAT NMS Plan for purposes of determining compliance with this FAM.¹²⁵

As discussed above, the remaining Historical CAT Costs 1 to be recovered via Historical CAT Assessment 1A would include fees, costs and expenses incurred by or for the Company in connection with the development, implementation and operation of the CAT during the period from January 1, 2021 through December 31, 2021. The total costs for this period, as discussed above, are \$144,415,268. Participants would remain responsible for one-third of this cost (which they have previously paid), and Industry Members would be responsible for the remain two-thirds, with CEBBs paying one-third (\$48,138,422.70) and CEBBs paying one-third (\$48,138,422.70) through Historical CAT Assessment 1 and Historical CAT Assessment 1A.

(D) Additional Considerations Related to the Financial Accountability Milestones

As discussed above, CAT LLC has satisfied the Financial Accountability Milestones (“FAMs”) for Periods 1 through 3.¹²⁶ As discussed below, none

of the circumstances related to NIA Electronic RFQ Responses, the 2023 Verbal Quotes Exemption, the November 2023 Order, or Executing Broker reporting, affect the conclusion that the FAMs for Periods 1 through 3 were satisfied in a timely fashion.

(i) NIA Electronic RFQ Responses

CAT LLC does not believe that the exemptive relief relating to the reporting of electronic responses for quotes (“RFQs”) that are not immediately actionable (“NIA Electronic RFQ Responses”) affect the conclusion that FAMs 1 through 3 have been satisfied. The only reason CAT LLC pursued this relief is because certain Industry Members introduced concerns that NIA Electronic RFQ Responses could be considered “orders” reportable pursuant to Rule 613(j)(8) and some Industry Members were not prepared to report such orders to CAT. Thus, the relief was requested on behalf of Industry Members. CAT LLC itself has not taken any position on whether NIA Electronic RFQ Responses are “orders,” as the definition of “order” is an SEC rule and the trading processes for NIA Electronic RFQ Responses are the Industry Members’, not those of the Participants or CAT LLC. Accordingly, CAT LLC stated in its letter that “Industry Members must determine whether trading interest falls within the definition of an ‘order’ for CAT purposes. To the extent an NIA Electronic RFQ Response is not considered an ‘order’ as defined in Rule 613(j)(8) and the CAT NMS Plan, it would not be reportable to CAT.”¹²⁷

Only “orders” as defined in SEC Rule 613(j)(8) are reportable to CAT. There is no agreement across the industry or among regulators as to whether NIA Electronic RFQ Responses are “orders” reportable to CAT. Certain Industry Members have raised the question as to whether NIA Electronic RFQ Responses are orders, but others have argued that they are not orders under Rule 613(j)(8).¹²⁸ Indeed, members of the Advisory Committee, which CAT LLC relies upon for guidance with regard to Industry Member issues, have not had a definitive view on whether NIA Electronic RFQ Responses are orders. As

amount of any fees, costs, and expenses that may be recovered from Industry Members if the Participants fail to meet the target deadlines. FAM Adopting Release.

¹²⁷ See Letter from Brandon Becker, Chair, CAT NMS Plan Operating Committee to Vanessa Countryman, Secretary, Commission (Feb. 13, 2024) at 2.

¹²⁸ See, e.g., Letter from Howard Meyerson, Managing Director, FIF, to Sai Rao, Counsel for Trading and Markets, Office of the Chair (Apr. 25, 2024).

¹²² See Q2 2021 Quarterly Progress Report (July 27, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²³ See Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁴ See Q1 2021 Quarterly Progress Report (Apr. 30, 2021); Q2 2021 Quarterly Progress Report (July 27, 2021); Q3 2021 Quarterly Progress Report (Nov. 1, 2021); and Q4 2021 Quarterly Progress Report (Jan. 17, 2022).

¹²⁵ Settlement Exemptive Order at 77129 n.13.

¹²⁶ In May 2020, the Commission adopted amendments to the CAT NMS Plan that establish four Financial Accountability Milestones and set target deadlines by which these milestones must be achieved. These amendments also reduce the

Rule 613(j)(8) is an SEC rule, CAT LLC believes that only the SEC can provide a definitive determination as to if, and under what circumstances, an NIA Electronic RFQ Response is considered an “order” reportable to CAT. The issue has persisted for some time. As a result, CAT LLC filed an exemptive request regarding NIA Electronic RFQ Responses for clarity on the interpretive issue. As recently as April 2024, Industry Members have re-raised this issue stating that the SEC agrees that it must provide additional guidance on this interpretive issue to resolve the CAT reporting issue for NIA Electronic RFQ Responses:

As further discussed in the prior FIF letters, even if the Commission had the legal authority to require the reporting of NIA RFQ responses to CAT without an amendment to Rule 613, the Commission has not provided guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT. In subsequent discussions with industry members, Commission representatives have agreed that, prior to NIA RFQ responses being reportable to CAT, it would be necessary for the Commission to provide further guidance to industry members as to the conditions under which NIA RFQ responses would be reportable to CAT.¹²⁹

On May 20, 2024, the Commission granted CAT LLC’s request for exemptive relief from certain CAT reporting requirements pertaining to NIA Electronic RFQ Responses to the extent such responses are considered “orders” reportable pursuant to Rule 613(j)(8).¹³⁰ The Commission, however, did not provide additional guidance regarding the conditions under which NIA Electronic RFQ Responses would be reportable to CAT. The Commission stated in its exemptive order that “[t]o the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for the Financial Accountability Milestones, provided that any conditions of the exemption are satisfied.”¹³¹

When the Commission proposed the FAMs, the Participants expressed concern that, “by conditioning the ability of CAT LLC and the Participants to collect Post-Amendment Industry Member Fees on factors dependent on the efforts of Industry Members, the Commission’s proposals inadvertently

establish a perverse incentive for Industry Members to devote less than maximum efforts to comply with their obligations related to the CAT as they will pay less fees in such instances.”¹³² The Participants further warned that “Industry Members may request or require unanticipated reporting delays to address Industry Member implementation issues or concerns,” but that, “[f]aced with financial penalties for missed deadlines, the Participants may not be able to fully address legitimate industry concerns or accommodate requests for delays with respect to future deadlines.”¹³³ CAT LLC has engaged in good faith to help address NIA Electronic RFQ Responses and other concerns relevant to the ability of Industry Members to meet their CAT reporting obligations. CAT LLC should not be penalized financially for seeking in good faith to resolve a difficult interpretive issue for the benefit of Industry Members.

(ii) 2023 Verbal Quotes Exemption

CAT LLC does not believe that the Commission’s May 19, 2023 order granting temporary exemptive relief relating to certain verbal floor activity and unstructured verbal and electronic upstairs activity (the “2023 Verbal Quotes Exemption”) affects the conclusion that FAMs 1 through 3 have been satisfied. The 2023 Verbal Quotes Exemption, which was issued on May 19, 2023, is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. The relevant exemption for this time period is the Commission’s November 12, 2020 order, which granted relief for the same activity through July 31, 2023 (the “2020 Verbal Quotes Order”).¹³⁴ The Commission has stated that, “to the extent that the Participants are availing themselves of exemptive relief from a CAT NMS Plan requirement, such requirement shall not be included in the requirements for a Financial Accountability Milestone, provided that the conditions of the exemption are satisfied.”¹³⁵ Here, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption

were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3.¹³⁶

(iii) November 2023 Order

CAT LLC does not believe that the Commission’s November 2, 2023 order granting relief from certain CAT NMS Plan requirements (the “November 2023 Order”) affects the conclusion that FAMs 1 through 3 have been satisfied. The November 2023 Order is not relevant for purposes of FAM Periods 1 through 3, which only cover the period through December 31, 2021. As described in the November 2023 Order, the relevant exemptive orders for this time period were issued on December 16, 2020, which also states that “the Commission has determined that the Participants have sufficiently complied with the conditions set forth in the prior Orders and with the technical requirements for Quarterly Progress Reports set forth in section 6.6(c) of the CAT NMS Plan, including for purposes of determining compliance with any applicable Financial Accountability Milestones.”¹³⁷ The November 2023 Exemption Order is consistent with the Commission’s repeated statements in the FAM adopting release that it would have “authority to grant exemptive relief from any requirement associated with a particular Financial Accountability Milestone,” citing Section 36 of the Exchange Act and Rule 608.¹³⁸ Similarly, the CAT NMS Plan

¹³⁶ As a condition to the 2020 Verbal Quotes Exemption, the Commission required that the Participants provide a written status update on the reporting of these quotes and orders by July 31, 2022, including the estimated costs of reporting these quotes and orders and an implementation plan for the reporting of these quotes and orders. As noted, the 2020 Verbal Quotes Order was in effect and the conditions of the exemption were satisfied as of December 31, 2021, and therefore may be relied upon for purposes of determining compliance with FAM Periods 1 through 3. In any event, on June 3, 2022, the Participants provided the required written status update. See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission (June 3, 2022).

¹³⁷ *Id.* at 77129 n.12.

¹³⁸ FAM Adopting Release at 31335 (May 22, 2020). Section 36 of the Exchange Act grants the Commission the authority to “conditionally or unconditionally exempt any person, security, or transaction . . . from any provision or provisions of [the Exchange Act] or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” 15 U.S.C. 78mm(a)(1). Under Rule 608(e) of Regulation NMS, the Commission may “exempt from [Rule 608], either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection

Continued

¹²⁹ *Id.*

¹³⁰ Securities Exchange Act Rel. No. 100181 (May 20, 2024), 89 FR 45715 (May 23, 2024).

¹³¹ *Id.* at n.11.

¹³² See Letter from Michael Simon, CAT NMS Plan Operating Committee Chair, to Vanessa Countryman, Secretary, Commission at 9 (Oct. 28, 2019).

¹³³ *Id.* at 10.

¹³⁴ Securities Exchange Act Rel. No. 90405, 85 FR 73544 (Nov. 18, 2020) (the “2020 Verbal Quotes Exemption”).

¹³⁵ See, e.g., Securities Exchange Act Rel. No. 89051 (June 11, 2020), 85 FR 36631, 36633 (June 17, 2020). The straightforward reading of the Commission’s statement is that compliance with the conditions of an exemption will be measured as of the deadline for a particular FAM Period.

expressly contemplates the Commission's ability to grant exemptive relief from any CAT NMS Plan requirement.¹³⁹

(iv) Executing Broker Reporting

CAT LLC also completed the requirements of FAM Period 2, including the required linkages, by December 31, 2020. Although Participant exchanges may report the Executing Broker to CAT differently in certain situations, these reporting differences are irrelevant for linkage purposes as the fields used for CAT Executing Broker are not used for linkage.

(10) Additional Support for Reasonableness of Historical CAT Costs

The CAT Funding Model approved by the Commission permits the recovery of reasonable costs in each of the categories of CAT costs sought to be recovered via Historical CAT Assessment 1A.¹⁴⁰ As described in detail above and in further detail below, the CAT costs to be recovered for each category are reasonable. The following discusses in further detail how each of the following costs are reasonable: (1) costs incurred prior to the effective date of the CAT NMS Plan; (2) cloud hosting services costs; (3) costs related to funding model filings; (4) costs related to litigation with the SEC regarding the CAT NMS Plan; (5) costs related to the Initial Plan Processor; (6) CAIS implementation costs; (7) public relations costs; (8) legal costs related to the limitation of liability provision in the CAT Reporter agreements; and (9) costs for the Chair of CAT Operating Committee. As discussed in detail below, each of these costs is reasonable and should be recoverable in accordance with the CAT Funding Model.

(A) Costs Incurred Prior to the Effective Date of CAT NMS Plan

CAT LLC believes that it is reasonable to seek recovery of costs incurred prior to when the CAT NMS Plan became effective in November 2016, such as legal and consulting fees incurred to

of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanism of, a national market system." 17 CFR 242.608(e).

¹³⁹ Section 12.3 of the CAT NMS Plan ("[T]o the extent the SEC grants exemptive relief applicable to any provision of this Agreement, Participants and Industry Members shall be entitled to comply with such provision pursuant to the terms of the exemptive relief so granted at the time such relief is granted irrespective of whether this Agreement has been amended.")

¹⁴⁰ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

create the CAT NMS Plan. Rule 613 specifically mandates that the CAT be created, implemented and maintained, and further provides that the CAT NMS Plan include a proposed allocation of estimated costs to fund the creation, implementation and maintenance of the CAT among the Participants (referred to as "plan sponsors"), and between the Participants and Industry Members (referred to as "members of the plan sponsors").¹⁴¹ Consistent with Rule 613, the CAT NMS Plan, as approved by the Commission, specifically authorizes charging Industry Members fees for costs reasonably incurred prior to the date of the approval of the CAT NMS Plan by the Commission in November 2016, including legal and consulting costs. Section 11.1(c) of the CAT NMS Plan states that:

[i]n determining fees on Participants and Industry Members the Operating Committee shall take into account fees, costs and expenses (including legal and consulting fees and expenses) reasonably incurred by Participants on behalf of the Company prior to the Effective Date in connection with the creation and implementation of the CAT.

Accordingly, the CAT NMS Plan specifically permits the recovery of costs, including legal and consulting costs, reasonably incurred prior to November 2016 in connection with the creation and implementation of the CAT.

Furthermore, the costs incurred to create and implement the CAT prior to the effective date of the CAT NMS Plan ("Pre-Formation Costs") were reasonable both in scope and amount, in accordance with the requirements of Section 11.1(c) of the CAT NMS Plan. During the four-year period from 2012 to 2016, a total of \$13,842,881 in Pre-Formation Costs were incurred. This is an average of approximately \$3.5 million per year over this period. The Pre-Formation Costs fell into three categories: legal costs, consulting costs and public relations costs. This includes legal costs of \$3,196,434; consulting costs of \$10,589,273; and public relations costs of \$57,174. The legal, consulting and public relations services were performed by WilmerHale, Deloitte and Peppercomm, respectively. The selection considerations and fees for these three firms are described in detail above and are described further below. The Pre-Formation Costs are direct costs of CAT, which have been funded entirely by the Participants through non-interest-bearing notes. The Pre-

¹⁴¹ See, e.g., Rule 613(a)(1)(vii)(D) of the CAT NMS Plan.

Formation Costs do not include the significant costs incurred by each of the individual Participants in responding to the adoption of Rule 613.

The Pre-Formation Costs are reasonable and appropriate as they reflect the extensive efforts that were necessary to create the CAT NMS Plan as mandated after the SEC's adoption of Rule 613. As described in more detail below, these efforts included, among other things, developing a plan for selecting the Plan Processor, soliciting and evaluating bids, engaging a diverse set of market participants and the SEC in the development of the Plan, interacting with the SEC in their oversight of the development of the Plan, and seeking appropriate exemptive relief to address areas of concern in Rule 613.¹⁴²

(i) Request for Proposal ("RFP")

The Participants determined to utilize an RFP to ensure that potential alternative solutions for creating the Plan could be presented and considered, and that a detailed and meaningful cost-benefit analysis could be performed. The SEC supported the use of an RFP, and approved its use as it is described in extensive detail in the CAT NMS Plan.¹⁴³

In the context of the SEC's adoption of Rule 613, commenters urged the Commission to utilize an RFP process to assist in the planning and design of the NMS plan.¹⁴⁴ Specifically, the Commission explained:

In this regard, several commenters suggested that the Commission undergo a RFP or request for information ("RFI") process to create and implement a consolidated audit trail. Specifically, FIF urged the Commission to perform a RFP process "to determine the best technical solution for developing a consolidated audit trail." FIF suggested that the Commission "should outline a set of goals and guiding principles they are striving to achieve as part of the adopted CAT filing and leave the determination of data elements and

¹⁴² The Participants described in detail the process for drafting the CAT NMS Plan in its original filing of the CAT NMS Plan. See Letter from Mike Simon, on behalf of the Participants of the CAT NMS Plan, to Brent J. Fields, Secretary, Commission (Sept. 30, 2014). A non-exclusive list of filings and activities associated with CAT, including certain pre-2016 filings, are available on the SEC's website: <https://www.sec.gov/divisions/marketreg/rule613-info>.

¹⁴³ See detailed discussion of RFP questions in Appendix C of the CAT NMS Plan, and incorporation of RFP requirements in Appendix D at D-2.

¹⁴⁴ For example, in its comments on proposed Rule 613, FIF suggested "that the SROs should select the processor through a 'request for proposal.'" Rule 613 Adopting Release at 45785.

other technical requirements to [an] industry working group.” Similarly, Direct Edge suggested that Commission staff should form and engage in a working group to develop an RFP for publication by the Commission. DirectEdge explained that an RFP process would facilitate the identification of the costs and benefits of the audit trail, as well as the consideration of a wider range of technological solutions. Further, commenters, including Broadridge Financial Solutions, Inc., a technology provider, also requested more specific information about the audit trail system to better assess the Commission’s initial cost estimates and to determine the best approach to the consolidated audit trail.¹⁴⁵

In response to these comments, the Commission modified Rule 613 to require the Participants to address certain important considerations regarding the features and details of the NMS plan and to extend the timeframe for submission of the CAT NMS Plan by the Participants from the 90 days as originally proposed to 270 days, in part, to accommodate a process that would address these considerations.¹⁴⁶ As the SEC noted, “[i]n light of the numerous specific requirements of Rule 613, the Participants concluded that publication of a request for proposal (‘RFP’) was necessary to ensure that potential alternative solutions to creating the consolidated audit trail can be presented and considered by the Participants and that a detailed and meaningful cost/benefit analysis can be performed, both of which are required considerations to be addressed in the CAT NMS Plan.”¹⁴⁷

The SEC specifically recognized that the Participants planned to use an RFP when it approved the Selection Plan, and stated that the RFP was a reasonable approach.¹⁴⁸ As the SEC described in its approval order for the Selection Plan, “[t]he Participants filed the [Selection] Plan to govern how the SROs will proceed with formulating and submitting the CAT NMS Plan—and, as part of that process, how to review, evaluate, and narrow down the bids submitted in response to the RFP (‘Bids’)—and ultimately choosing the plan processor that will build, operate, and maintain the consolidated audit trail (‘Plan Processor’).”¹⁴⁹ After evaluating the Selection Plan, including

the use of an RFP process, the Commission stated that it “believes the [Selection] Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail.”¹⁵⁰

On February 26, 2013, the Participants published an RFP soliciting bids from parties interested in serving as the plan processor for the CAT. Initially, 31 firms submitted intentions to bid. In the following months, the Participants engaged with potential bidders with respect to, among other things, the selection process, selection criteria, and potential bidders’ questions and concerns. On March 21, 2014, the Participants received ten bids in response to the RFP.

(ii) Selection Plan

On September 4, 2013, the Participants filed with the Commission a national market system plan to govern the process for Participant review of the bids submitted in response to the RFP, the procedures for evaluating the bids, and, ultimately, selection of the plan processor (the “Selection Plan”).¹⁵¹ The Commission approved the Selection Plan as filed on February 21, 2014.¹⁵² In approving the Selection Plan, the Commission concluded that “it is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor.”¹⁵³

The Selection Plan divided the review and evaluation of bids, and the selection of the plan processor, into various stages. Specifically, pursuant to the Selection Plan, a selection committee reviewed all bids and determined which bids contained sufficient information to allow the Participants to meaningfully assess and evaluate the bids. The ten submitted bids were deemed “Qualified Bids,” and so passed to the next stage, in which each bidder presented its bids to the Participants on a confidential basis. On July 1, 2014, after conducting careful analysis and comparison of the bids, the Selection Committee voted and selected a shortlist of six eligible bidders. The Selection Committee determined which shortlisted bidders would be provided the opportunity to revise their bids. After the Selection

Committee assessed and evaluated the revised bids, the Selection Committee selected the plan processor via two rounds of voting by the Participants, as described in the Selection Plan.

The Selection Plan established an Operating Committee responsible for formulating, drafting, and filing with the Commission the CAT NMS Plan and for ensuring that the Participants’ joint obligations under Rule 613 were met in a timely and efficient manner. In formulating the CAT NMS Plan, the Participants also engaged multiple persons across a wide range of roles and expertise, engaged the consulting firm Deloitte as project manager, and engaged the law firm WilmerHale to serve as legal counsel in drafting the Plan. Within this structure, the Participants focused on, among other things, comparative analyses of the proposed technologies and operating models, development of funding models to support the building and operation of the CAT, and detailed review of governance considerations. Given the complexity and scope of developing the CAT NMS Plan, these efforts were extensive.

When it approved the CAT NMS Plan in 2016, the Commission reiterated its belief that the Selection Plan remains a “reasonable approach,” that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue”:

In approving the Selection Plan, the Commission stated that the Selection Plan is reasonably designed to achieve its objective of facilitating the development of the CAT NMS Plan and the selection of the Plan Processor. The Commission also found that the Selection Plan is reasonably designed to govern the process by which the SROs will formulate and submit the CAT NMS Plan, including the review, evaluation, and narrowing down of Bids in response to the RFP, and ultimately choosing the Plan Processor that will build, operate, and maintain the consolidated audit trail. The Commission believes that the process set out in the Selection Plan for selecting a Plan Processor remains a reasonable approach, which will facilitate the selection of Plan Processor through a fair, transparent and competitive process and that no modifications to the Selection Plan are required to meet the approval standard. . . . In response to the comment that offered support for a specific Bidder, the Commission agrees with the Participants that the

¹⁴⁵ Rule 613 Adopting Release at 45738–39.

¹⁴⁶ Rule 613 Adopting Release at 45739.

¹⁴⁷ Securities Exchange Act Rel. No. 71596 (Feb. 21, 2014), 79 FR 11152, 11152 (Feb. 27, 2014) (“Selection Plan Approval Order”).

¹⁴⁸ *Id.*

¹⁴⁹ *Id.* at 11153.

¹⁵⁰ *Id.* at 11159.

¹⁵¹ See Securities Exchange Act Rel. No. 70892 (Nov. 15, 2013), 78 FR 69910 (Nov. 21, 2013).

¹⁵² See Selection Plan Approval Order.

¹⁵³ Selection Plan Approval Order at 11160.

competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor and thus believes that the process set forth in the Selection Plan should be permitted to continue.¹⁵⁴

(iii) Engagement With Market Participants and SEC

During the process of developing the CAT NMS Plan, the Participants engaged in extensive and meaningful dialogue with market participants and the SEC. To this end, the Participants created a website to update the public on the progress of the CAT NMS Plan, published a request for comment on multiple issues related to the Plan, held multiple public events to inform the industry of the progress of the CAT and to address inquiries, and formed, and later expanded, a DAG to solicit more input from a representative industry group.¹⁵⁵

The DAG included representatives of Participants and Industry Members and conducted meetings to discuss, among other things, technical and operational aspects the Participants were considering for the Plan. The Participants issued press releases soliciting participants for the DAG, and a wide spectrum of firms was deliberately chosen to provide insight from various industry segments affected by CAT. The DAG meetings included discussions of topics such as option market maker quote reporting, requirements for capturing Customer IDs, timestamps and clock synchronization, reporting requirements for order handling scenarios, costs and funding, error handling and corrections, and potential elimination of systems made redundant by the CAT. From the inception of the DAG through September 2014, the DAG participated in 36 meetings, as well as a variety of DAG subcommittee meetings.

(iv) Request for Exemption From Certain Requirements Under Rule 613

Following multiple discussions between the Participants and both the DAG and the bidders, as well as among the Participants themselves, the Participants recognized that some provisions of Rule 613 would not permit certain solutions to be included in the Plan that the Participants, in coordination with the DAG, determined advisable to effectuate the most efficient and cost-effective CAT. Specifically, “the SROs reached the conclusion that additional flexibility in certain of the

minimum requirements specified in Rule 613 would allow them to propose a more efficient and cost-effective approach without adversely affecting the reliability or accuracy of CAT Data, or its security and confidentiality.”¹⁵⁶ Consequently, the Participants submitted a request for exemptive relief from certain provisions of Rule 613 regarding: (1) options market maker quotes; (2) Customer-IDs; (3) CAT-Reporter-IDs; (4) CAT-Order-IDs on allocation reports; and (5) timestamp granularity.¹⁵⁷ The Participants filed two supplements to the request for exemptive relief.¹⁵⁸

After reviewing the exemptive request, the Commission determined that it was appropriate in the public interest and consistent with the protection of investors to grant the requested exemptive relief.¹⁵⁹ In granting the exemptive relief, the Commission stated:

[T]he Commission is persuaded to provide flexibility in the discrete areas discussed in the Exemption Request so that the alternative approaches can be included in the CAT NMS Plan and subject to notice and comment. Doing so could allow for more efficient and cost-effective approaches than otherwise would be permitted. The Commission at this stage is not deciding whether the proposed approaches detailed below are more efficient or effective than those in Rule 613. However, the Commission believes the proposed approaches should be within the permissible range of alternatives available to the SROs.¹⁶⁰

The Commission further stated that the requested exemptive relief is consistent with the protection of investors. The Commission noted that:

Doing so will provide the public an opportunity to consider and comment on whether these proposed alternative approaches would indeed be more efficient and cost-effective than those otherwise required by Rule 613, and whether such approaches would adversely affect the reliability or accuracy of CAT Data or otherwise undermine the goals of Rule 613. Moreover, if—as the SROs represent—efficiency gains and cost savings would result from including the proposed

approaches in the CAT NMS Plan without adverse effects, then the resultant benefits could potentially flow to investors (e.g., lower broker-dealer reporting costs resulting in fewer costs passed on to Customers).¹⁶¹

The Participants incorporated the exemptive relief into the proposed CAT NMS Plan, which was noticed for comment, and the Commission ultimately approved the CAT NMS Plan with the more efficient and cost-effective alternative approaches described in the exemptive relief. Accordingly, the Participants believe that the costs incurred in developing the exemptive request were critical to the creation of a better CAT than was originally contemplated by Rule 613, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(v) Request for Extensions for Filing the CAT NMS Plan

Rule 613(a)(1) under Regulation NMS required the Participants to jointly file the CAT NMS Plan on or before April 28, 2013, less than a year after the adoption of Rule 613. In recognition of the complexity of the project to create the CAT NMS Plan as well as industry interest in limiting or eliminating certain requirements of Rule 613 (e.g., addressing the reporting of options market maker quotes), the Participants requested two extensions of the deadline to file the CAT NMS Plan. The Participants described the need for additional time as follows:

The SROs stated in their Request Letter that they do not believe that the 270-day time period provided for in Rule 613(a)(1) provides sufficient time for the development of the RFP, formulation and submission of bids, and review and evaluation of such bids. The SROs also stated that they believe additional time beyond the 270 days provided for in Rule 613(a)(1) is necessary in order to provide sufficient time for effective consultation with and input from the industry and the public on the proposed solution chosen by the SROs for the creation of the consolidated audit trail at the conclusion of the RFP process and the NMS plan itself.¹⁶²

In recognition of the need for additional time to refine the technical description of and requirements for the CAT and to allow for additional evaluation of the proposed cost and funding considerations, the SEC granted

¹⁵⁶ Securities Exchange Rel. No. 77265 (Mar. 1, 2016), 81 FR 11856 (Mar. 7, 2016) (“2016 Exemptive Order”).

¹⁵⁷ Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Jan. 30, 2015).

¹⁵⁸ See Letter from Robert Colby, FINRA, on behalf of the SROs, to Brent J. Fields, Secretary, Commission (Apr. 3, 2015); Letter from the SROs to Brent J. Fields, Secretary, Commission (Sept. 2, 2015).

¹⁵⁹ See 2016 Exemptive Order.

¹⁶⁰ *Id.* at 11857.

¹⁶¹ *Id.*

¹⁶² Securities Exchange Act Rel. No. 69060 (Mar. 7, 2013), 78 FR 15771, 15772 (Mar. 12, 2013) (“March 2013 Exemptive Order”).

¹⁵⁴ See CAT NMS Plan Approval Order at 84737.

¹⁵⁵ See Section D(11) of Appendix C of the CAT NMS Plan.

two extensions of this deadline.¹⁶³ The SEC determined that both extensions were appropriate, in the public interest, and consistent with the protection of investors.¹⁶⁴ In reaching this conclusion, the Commission stated that “it understands that the creation of a consolidated audit trail is a significant undertaking and that a proposed NMS plan must include detailed information and discussion about many things.”¹⁶⁵ The SEC also noted the following:

This additional time to complete the RFP process should allow the SROs to engage in a more thoughtful and comprehensive process for the development of an NMS plan. In this regard, the Commission notes that the additional time to solicit comment from the industry and the public at certain key points in the development of the NMS plan could identify issues that can be resolved earlier in the development of the consolidated audit trail and prior to filing the NMS plan with the Commission.¹⁶⁶

Given the Commission’s recognition of the reasonableness and value of the extension of the deadline to file the CAT NMS Plan, the Participants believe that the costs incurred in developing the extension request were important to the process of developing the CAT NMS Plan, and therefore should be recoverable as part of Historical CAT Assessment 1A.

(vi) Submission and Approval of the CAT NMS Plan

After extensive analyses and discussions with the DAG, bidders, market participants and the SEC staff, the Participants finalized the draft of the CAT NMS Plan and filed the CAT NMS Plan with the SEC on September 30, 2014. Following additional discussions, the Participants filed several amendments to the CAT NMS Plan during 2015 and 2016. With these additional changes, the SEC published the CAT NMS Plan for notice and comment in May 2016.¹⁶⁷ Following the comment period, the SEC approved the Plan in November 2016.¹⁶⁸

(vii) Legal Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include legal costs of \$3,196,434. The legal services

were performed by WilmerHale. The selection considerations and fees for WilmerHale were described in detail above. Prior to the creation of CAT LLC, WilmerHale was engaged to represent the consortium of SROs, not the individual Participants. For administrative purposes, FINRA agreed to receive such legal bills, although such costs were shared among the Participants. Therefore, the legal costs incurred with respect to WilmerHale do not include legal costs incurred by the individual Participants. These pre-formation legal costs are described in detail above and are further described below:

- Analyzed various legal matters associated with the Selection Plan and drafted an amendment to Selection Plan;
- Assisted with the RFP and bidding process for the CAT Plan Processor;
- Analyzed legal matters related to the DAG;
- Drafted the CAT NMS Plan, analyzed various items related to the CAT NMS Plan, and responded to comment letters on the CAT NMS Plan;
- Provided legal support for the formation of the legal entity, the governance of the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG, and governance support during the transition to the new governance structure under the CAT NMS Plan;
- Drafted exemptive requests;
- Provided interpretations related to the CAT NMS Plan;
- Provided support with regard to discussions among the exchanges, FINRA and other third parties, such as Deloitte;
- Provided tax advice with regard to CAT’s status as a tax-exempt organization; and
- Provided support with regard to discussions with the SEC and its staff, including with respect to addressing interpretive and implementation issues.

(viii) Consulting Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include consulting costs of \$10,589,273. The consulting services were performed by Deloitte. The selection considerations and fees for Deloitte were described in detail above. Prior to the creation of CAT LLC, for administrative purposes, Deloitte was engaged by FINRA to provide consulting services related to

CAT, but the costs were shared by the consortium of SROs per agreement. Therefore, the consulting costs incurred with respect to Deloitte do not include consulting costs incurred by the individual Participants. The pre-formation consulting costs include the following:

- Established and implemented program operations for the CAT project, including the program management office and workstream design;
- Assisted with the Plan Processor selection process, including but not limited to, the development of the RFP and the bidder evaluation process, and facilitation and consolidation of the Participants’ independent reviews;
- Assisted with the development and drafting of the CAT NMS Plan, including conducting cost-benefit studies, reviewing technical requirements of other NMS plans, analyzing OATS and CAT requirements, and drafting appendices to the Plan;
- Provided governance support to the CAT, including governance support prior to the adoption of the CAT NMS Plan, which involved support for the full committee of exchanges and FINRA as well as subcommittees of this group (e.g., Joint Subcommittee Group, Technical, Industry Outreach, Cost and Funding, and Other Products) and the DAG;
- Provided support for updating the SEC on the progress of the development of the CAT;
- Provided support for industry outreach sessions, including with regard to program design and agenda development, program support and logistics and coordination; and
- Provided support in fact finding, drafting content and meeting coordination for WilmerHale with regard to the CAT and the development of the CAT NMS Plan.

Such Pre-Formation Costs did not include costs related to the Chair of the CAT NMS Plan Operating Committee, as the CAT NMS Plan had not yet been adopted.

(ix) Public Relations Costs Incurred Prior to the Effective Date of the CAT NMS Plan

The Pre-Formation Costs include public relations costs of \$57,174. The public relations services were performed by Peppercomm. The selection considerations and fees for Peppercomm are described in detail above. The costs related to Peppercomm were shared among the SROs. Therefore, the public relations costs do not include public relations costs incurred by the individual Participants. The pre-formation public relations costs include

¹⁶³ See March 2013 Exemptive Order; Securities Exchange Act Rel. No. 71018 (Dec. 6, 2013), 78 FR 75669 (Dec. 12, 2013) (“December 2013 Exemptive Order”).

¹⁶⁴ March 2013 Exemptive Order at 15772; December 2013 Exemptive Order at 75670.

¹⁶⁵ March 2013 Exemptive Order at 15772.

¹⁶⁶ *Id.* at 15773.

¹⁶⁷ See Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614 (May 17, 2016).

¹⁶⁸ See CAT NMS Plan Approval Order.

services related to communications with the public regarding the CAT, including monitoring developments related to the CAT (e.g., congressional efforts, public comments and reaction to proposals, press coverage of the CAT), reporting such developments to CAT LLC, and drafting and disseminating communications to the public regarding such developments as well as reporting on developments related to the CAT.

(B) Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs related to cloud hosting services as a part of Historical CAT Assessments. CAT LLC believes that the costs related to cloud hosting services described in detail above are reasonable and appropriate given the strict data processing timelines and storage requirements imposed by the Commission-approved CAT NMS Plan and should be recoverable as a part of Historical CAT Assessment 1A.

(i) Reasonableness of AWS Costs Given the Requirements of the CAT NMS Plan

CAT LLC believes that the costs for the cloud hosting services are reasonable, both in terms of the level of the fees paid by CAT LLC for cloud hosting services provided by AWS and the scope of the services performed by AWS for CAT LLC. CAT LLC believes that both the scope and amount of the costs for cloud hosting services are reasonable given the current requirements of the CAT NMS Plan adopted pursuant to Rule 613, including the strict data processing timeline, storage and other technical requirements under the Commission-approved CAT NMS Plan.

CAT LLC believes that the level of fees for the cloud hosting services is reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.

CAT LLC also believes that the scope of services provided by AWS for the CAT are appropriate given the current requirements of the Commission-approved CAT NMS Plan. As described above, the cloud hosting services costs reflect a variety of factors including, among other things:

- *Breadth of Cloud Activities.* AWS was engaged by FCAT, the Plan Processor, to provide a broad range of services to the CAT, including data ingestion, data management, and analytic tools. Services provided by AWS necessary to the CAT include storage services, databases, compute

services, and other services (such as networking, management tools and development operations (“DevOps”) tools). AWS also was engaged to provide the various environments for CAT, such as the development, performance testing, test and production environments, which are required by the CAT NMS Plan.

- *High Data Volume.* The cost for AWS services for the CAT is a function of the volume of CAT Data. While it is not linear, the greater the amount of CAT Data, the greater the cost of AWS services to the CAT. The data volume handled by AWS now far exceeds the original volume estimates for the CAT.

- *Plan Requirements.* The cost for AWS services also reflects the technical requirements necessary to meet the stringent performance and other requirements for processing CAT Data. These Plan-dictated processing timelines, storage, testing, security and other technical requirements are significant drivers of AWS costs.

- *Cost Avoidance Efforts.* CAT LLC and FCAT have engaged in ongoing efforts to seek to avoid and minimize AWS costs where permissible under the Plan. Accordingly, these cost avoidance efforts have limited the extent of AWS costs.

In addition, various requirements of the CAT NMS Plan adopted pursuant to Rule 613 contribute to the significant cloud hosting services costs, and that various Plan requirements could be amended or removed without affecting the regulatory purpose of the CAT. Indeed, CAT LLC has repeatedly sought exemptive relief and filed amendments to the CAT NMS Plan, and has even filed suit against the Commission, to seek to revise or eliminate certain costly requirements related to the CAT. However, despite these efforts, absent the Commission granting exemptive relief or approving cost savings amendments to the CAT NMS Plan, CAT LLC, the Participants and Industry Members are all required to comply with such requirements.

(ii) Effect of CAT Design on CAT Costs

(a) Efficient CAT Design

CAT is reasonably designed to efficiently and effectively utilize cloud computing and storage services, given the requirements of the Commission-approved CAT NMS Plan, including requirements related to security, operational reliance and quality assurance, and maintainability.

The Plan Processor uses state-of-the-art software that meets the strict security standards of the CAT NMS Plan. CAT utilizes a big data processing framework

that is extensively used by large data processing companies, such as Apple, Meta, Netflix, IBM and Google. As such, it has substantial commercial support and support in the open-source community. It is also well suited for use with regard to iterative types of algorithms and query functions and analytics that the CAT requires, and it provides the heightened security necessary for the CAT.

The development and implementation of the design of CAT is not and has not been static. CAT LLC and the Plan Processor are always evaluating new innovations and service offerings from AWS and other providers to seek to maximize efficiency and cost avoidance while still satisfying the requirements of the CAT NMS Plan. These efforts have led to substantial savings to date. The cloud hosting costs for 2023 were less than the cloud hosting costs for 2022 by \$8 million despite processing seven trillion more events in 2023 due to the efficiency and cost avoidance efforts for cloud hosting services. For example, when AWS introduced new storage options, FCAT adopted the cost-efficient new storage option after establishing that the new offering would satisfy the security and other standards of the CAT NMS Plan. This change led to millions of dollars of savings in storage costs. Similarly, when AWS introduced a new compute processor, FCAT adopted this new compute processor, which led to millions of dollars in savings in compute costs. However, in other cases, new cloud technology developments could not be implemented in CAT because they would not satisfy the security or other requirements of the CAT NMS Plan.

When evaluating the design of the CAT, it must be kept in mind that the CAT is not a typical commercial technology project. The ability to make use of technology approaches that may lead to cost avoidance is also subject to the restrictive requirements of the CAT NMS Plan, such as processing timeframes, requirements for retention of data versions, query requirements, and security standards. Because such requirements are set forth in the CAT NMS Plan, any modification of such requirements are subject to the time-consuming process of amending the CAT NMS Plan or seeking an exemption from the relevant requirement. For example, CAT LLC recently has filed an amendment to address several of these expensive Plan requirements.¹⁶⁹

¹⁶⁹ See, e.g., Securities Exchange Act Rel. No. 99938 (Apr. 10, 2024), 89 FR 26983 (Apr. 16, 2024); Letter from Brandon Becker, CAT NMS Plan Operating Committee Chair, to Vanessa

(b) CAT Was Designed To Minimize Industry Member Effort

The CAT System also was designed to minimize the extent to which Industry Members would need to alter their systems to report to CAT. During the design process, Industry Member groups argued that it would make more sense financially for the CAT to accommodate differences in industry systems, than for all Industry Members to change their systems. Moreover, such design choices would facilitate consistency, uniformity and accuracy in reporting. Requiring the CAT to make such accommodations may increase CAT costs while accommodating CAT Reporters.

Based on the requirements in the CAT NMS Plan and/or in response to industry requests for functionality to be embedded with the Plan Processor to streamline or limit Industry Member system changes, the CAT has been designed to limit the effect on Industry Members. The following provides examples of such accommodations:

- *Industry Member Reporting.* In light of the complexity of Industry Member market activity, the CAT's order reporting and linkage scenarios document for Industry Members is over 800 pages in length, addressing nearly 200 scenarios.¹⁷⁰ The Industry Member Technical Specifications allow for dozens of specific event types, which drive complexity for the Plan Processor, but streamline reporting for Industry Members. Furthermore, the Plan Processor greatly expanded Industry Member linkage requirements to support, among other things, child events and supplemental events, allowing for "stateless as-you-go" and "batch end-of-day" reporting when all data is available. Accordingly, CAT takes on the significant cost and effort of providing the required linkages between CAT events; correspondingly, Industry Members are not required to perform this costly task.

- *File Submission Process.* The CAT was designed to accommodate the varying needs of CAT Reporters with regard to the file submission process. For example, in a 2018 letter, FIF stated that "[t]he SFTP-based submission process is cumbersome, exposes industry members to unnecessary complexity, and puts the burden of support on the CAT Reporter rather than imbedding more functionality into the

Plan Processor."¹⁷¹ Currently, FCAT provides two mechanisms for submitting files: SFTP via a private network, and the Web via Reporter Web Portal.

- *Error Corrections.* The industry also emphasized the need for the CAT to provide error correction tools and functionalities to identify, rectify and re-submit corrections within the required timeframe. For example, FIF stated in a 2018 letter the following:

To be clear, if OATS-like error correction tools are not made available on Day 1, hundreds of firms will be required to create and test their own tools or obtain vendor alternatives prior to the CAT Go-Live Date. Proprietary tools will require additional system builds, access to and ingestion of CAT data to perform system validation, and testing which will further stress the limited number of subject matter experts ("SMEs") dedicated to the implementation of CAT reporting. Should this occur, inevitably firms (especially small firms who lack the necessary IT staff to write code and develop proprietary systems), may be put in the position of passing onto investors the cost required to build hundreds of redundant systems.¹⁷²

CAT provides various tools to help Industry Members identify and rectify errors.

- *Data Ingestion Format.* The industry also recommended that CAT adopt a flexible input format that provides an option for Industry Members to submit data in formats that are already in use to reduce costs and potential reporting errors. For example, FIF argued the following:

FIF CAT WG is not proposing a specific format; rather, we are proposing flexibility of input formats which includes support of existing formats (e.g., OATS, FIX) as well as a baseline specification where all fields are defined, and normalized. The input formats must be clearly and thoroughly defined in Technical Specifications, including FAQs.

Mandating a uniform format for reporting data to the CAT simplifies the task for the Central Repository of consolidating/storing data, but it puts the burden on each CAT Reporter to accurately translate their current (e.g., OATS) reporting information into a uniform CAT interface. However, that is likely to yield more errors because it is very dependent on accurate, complete and timely information (Technical

Specifications, FAQs, meta-data, competent CAT help desk) available to CAT Reporters, availability of sophisticated CAT test tools to validate interface protocols, and the skill levels of the estimated 300+ unique CAT Reporters/Submitters during Phase 1 of CAT. Concentrating the responsibility of data conversions with the Central Repository is a reasonable trade-off that should yield fewer errors, and greater accuracy.¹⁷³

CAT provides such a flexible input format.

(c) Effect of Initial Plan Processor Design

The costs for cloud hosting services are appropriate and have not been adversely affected by the original design and approaches of the Initial Plan Processor. FCAT's design costs are the result of the requirements of the Commission-approved CAT NMS Plan.

When FCAT took over as the Plan Processor from Thesys, it utilized certain aspects of the technical specifications created by Thesys in its design. However, FCAT has not maintained aspects of the original design that would not be appropriate for the CAT. FCAT revised and enhanced the original technical specifications of the CAT System to increase its efficiency and efficacy, and to ensure its compliance with the CAT NMS Plan. For example, the Initial Plan Processor's approach utilized many more fields than FCAT's approach, which relies on additional linkages. With the additional linkages, the CAT System takes on more of the CAT-related burdens than the Industry Members. Such an approach serves to facilitate consistency, uniformity and accuracy in reporting.

Moreover, FCAT did not utilize the system built by the Initial Plan Processor; it rebuilt the CAT System based on revised technical specifications. For example, the Initial Plan Processor used an on-premises processing approach which was not geared toward the huge amounts of data stored in the CAT, while FCAT adopted a cloud-based solution in response to such data demands.

Furthermore, given the very short timeframe to develop the CAT System and the prior optimization of certain query tools (e.g., Diver) for regulatory use with significant amounts of data, FCAT determined to rely upon certain existing FINRA tools and adapt them for use with the CAT.

Countryman, Secretary, Commission (Mar. 27, 2024) (proposing amendments to the CAT NMS Plan for \$23 million in annual savings).

¹⁷⁰ See CAT Industry Member Reporting Scenarios v.4.10 (Oct. 21, 2022).

¹⁷¹ Letter from Janet Early, FIF, to Thesys CAT (Mar. 29, 2018).

¹⁷² Letter from Christopher Bok, FIF, to Jay Clayton, Chair, Commission at 4 (Dec. 11, 2018).

¹⁷³ Letter from Mary Lou Von Kaenel, Managing Director, FIF, to Brent Fields, Secretary, Commission at 92 (July 18, 2016), <https://www.sec.gov/comments/4-698/4698-13.pdf>.

(iii) Consideration of AWS Alternatives

CAT LLC continues to support the selection of AWS as the cloud hosting services provider for CAT given the compliance, operational, and security requirements of the CAT. Independent analyses confirm these conclusions, noting that “AWS is an excellent choice for either strategic or tactical use and recommends considering AWS for almost all cloud IaaS or IaaS+PaaS scenarios.”¹⁷⁴ AWS provides the following benefits to CAT, among others:

- *Broad Suitability.* AWS has a long track record of successfully serving cloud customers with mission-critical projects.

- *Proven Scalability.* AWS has demonstrated that it is capable of building and delivering services on a large scale.

- *Track Record of Innovation.* AWS continues to rapidly innovate, both in terms of new domains of capability and at a fundamental level, thereby facilitating innovation for its customers.

- *Resiliency/Dependability.* Another benefit of AWS is its resiliency; it has a strong track record of stable services. As noted in a review of cloud service providers, “[c]ustomers like to have a broad set of options for resilience and for their cloud providers to have a strong track record of stable services (continuously available, without operational quirks). Only AWS fulfills both desires.”¹⁷⁵

- *Technical and Customer Support.* AWS consistently provides high-quality technical and customer support and engagement. Given the size, scope and regulatory importance of CAT, customer support and engagement that CAT has with the highest levels of AWS are very important to the success of the CAT.

- *Scale.* AWS is capable of supporting large-scale solutions, which is critical given the size and magnitude of the CAT.

- *Security.* AWS provides the security features necessary for the CAT.

In addition, the nature of the CAT, including the amount of data it must process and the size of its data footprint, does not allow for a multi-cloud solution as this would be cost prohibitive and greatly increase the security boundary and associated risk profile of the CAT. For example, a multi-cloud hosting option would increase costs, complexity, and risk for operations with regard to, for example,

DevOps, production support, and networking. Similarly, with regard to security, a multi-cloud solution would increase risk, including with regard to the need for data transfers between cloud providers and the expansion of the security boundary. With regard to labor, a multi-cloud solution would lose economies of scale due to the need to support unique cloud requirements. Accordingly, the use of a single-cloud solution continues to provide advantages with regard to cost, complexity, and risk. Indeed, “[t]he best practice is to focus on a single primary strategic provider.”¹⁷⁶

Furthermore, if another cloud service provider were determined to be a better match for the CAT at some future date, switching cloud service providers would be a very significant, expensive and time-consuming effort. Such an effort would likely be a 10-to-15-year commitment at a substantial expense. Such a move would require the replication or redesign of the underlying cloud environments (e.g., organizational setup, identify management, accounts, environments, DevOps tooling like release management/config management/network management), as the new provider likely would not have the same infrastructure and software. Once that process has been completed, an exabyte of CAT data would need to be securely migrated to the new platform.

(C) Funding Model Filings

CAT LLC believes that the recovery of costs related to the development of the funding model is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

Funding the CAT is a critical aspect of Rule 613 and the CAT NMS Plan. Article XI of the CAT NMS Plan describes in detail the requirements for funding the CAT, and the Participants are required to comply with and enforce compliance with the funding requirements of the CAT NMS Plan, just as with other aspects of the Plan. Accordingly, the development and implementation of a funding model for the CAT is as much a part of the requirements of the CAT NMS Plan as the development and operation of the CAT System. CAT LLC sees no reason to distinguish the efforts to develop a funding model from, for example, efforts to develop the CAT System, in seeking to recover reasonable CAT costs.

Moreover, in approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for legal

services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . legal costs.”¹⁷⁷ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . legal . . . costs.”¹⁷⁸ In keeping with these provisions, this filing provides a brief description of reasonably budgeted legal costs above. These legal costs include costs related to the development of the CAT Funding Model.

In addition, the legal costs incurred for the assistance in developing the CAT Funding Model are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at negotiated rates for such services that reflect both the extent of the services and market rates. Moreover, the scope of the legal costs associated with the development of the funding model reflect the complexity of the task in satisfying the detailed requirements of the CAT NMS Plan, the standards of the Exchange Act, and the many perspectives of the different market constituents potentially affected by or interested in the funding model, including Industry Members, Participants and investors. The many and varied comments by market participants on CAT funding over the years demonstrate the complexity of the task.

(D) Costs Related to Litigation With the SEC

CAT LLC believes that the recovery of legal costs related to the litigation with the SEC regarding the CAT NMS Plan is appropriate, and that the amount and scope of such costs, as described above, are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁷⁹ Moreover, CAT LLC initiated such litigation, and incurred the related legal costs, because it was critical to address the Commission’s interpretations of the CAT NMS Plan. Among other things, such interpretations threatened to impose unnecessary costs on the CAT, which would be borne by the

¹⁷⁴ See, e.g., Lydia Leong and Adrian Wong, Solution Comparison for Strategic Cloud Integrated IaaS and PaaS Providers (July 28, 2023) (“Strategic Cloud Assessment Article”).

¹⁷⁵ Strategic Cloud Assessment Article.

¹⁷⁶ *Id.*

¹⁷⁷ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁷⁸ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁷⁹ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

Participants and Industry Members. Indeed, in response to the litigation, the Commission provided exemptive relief that allowed alternative, more cost-effective approaches to the implementation of the CAT. Specifically, in the 2023 exemptive order, the Commission stated:

The conditional exemptive relief in this Order allows for the implementation of alternative regulatory solutions that continue to advance the regulatory goals that Rule 613 and the CAT NMS Plan were intended to promote, while reducing the implementation and operational costs, burdens, and/or difficulties that would otherwise be incurred by the Participants and Industry Members that must fund the CAT.¹⁸⁰

CAT LLC believes it is reasonable and appropriate to incur costs to limit the need to incur even greater costs due to certain interpretations of the Plan.

In addition, the legal costs incurred during the litigation are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. As described above, the specialized services were performed by experienced counsel at market rates for such services. As such, the legal costs related to this litigation incurred during the period covered by Historical CAT Assessment 1A were reasonable.

Finally, Industry Members will directly benefit from the result of the litigation because it has addressed CAT NMS Plan requirements that would have imposed significantly greater costs on the CAT. Accordingly, it is reasonable and appropriate that the costs of such litigation be included in Historical CAT Costs 1.

(E) Costs Related to the Initial Plan Processor

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017, which was the date by which Participants were required to begin reporting to the CAT, due to the delay in the commencement of reporting to the CAT. As discussed above, the Participants determined to exclude all CAT costs incurred from November 15, 2017 through November 15, 2018, which includes \$37,852,083 in Thesys costs incurred from November 15, 2017 through November 15, 2018 (as well as other CAT costs during this period). The remaining Thesys costs incurred after November 15, 2018 are the \$19,628,791 in capitalized developed technology costs for the period from November 16,

2018 through February 2019 incurred in the development of the CAT by the Initial Plan Processor, as well as a transition fee for the transition from the Initial Plan Processor to the successor Plan Processor. The Participants would remain responsible for 100% of these \$19,628,791 in costs.

CAT LLC believes that it is appropriate to recover costs related to the services performed by the Initial Plan Processor prior to November 15, 2017. CAT LLC notes that the development and implementation of the CAT System, while unprecedented in scope and design, is like any other large and innovative technology project in that, inevitably, there were adjustments and refinements in the technical approach as the project developed, even with substantial planning efforts and oversight prior to the build. This is even more likely when the project faces a very tight implementation schedule, such as the one imposed by the Commission in Rule 613 and the CAT NMS Plan. However, an adjusted approach does not mean that the funds were not valid expenditures and should not be recovered.

The reasonableness of Thesys costs should be evaluated by the Commission as of the time they were incurred, not in hindsight. As detailed above, the Commission concluded in 2016 that “the competitive bidding process to select the Plan Processor is a reasonable and effective way to choose a Plan Processor,” and that “the process set forth in the Selection Plan should be permitted to continue.”¹⁸¹ Following this process, the Participants notified the Commission of the selection of Thesys as the Initial Plan Processor on January 17, 2017.¹⁸² At the time, neither the Commission nor the industry argued that the selection of the Initial Plan Processor was unreasonable or otherwise inconsistent with the CAT NMS Plan, nor did they predict the selection would result in unanticipated delays in the implementation of the CAT System. On the contrary, on April 4, 2017, the President of SIFMA wrote that “SIFMA looks forward to commencing work with the SROs and Thesys.”¹⁸³

As noted in the CAT Funding Model Approval Order, the Commission

recognized that “[t]he CAT NMS Plan contemplates that the costs of the CAT are to be allocated between the Participants and Industry Members.”¹⁸⁴ If the CAT Funding Model had existed on Day 1, the risk of any unanticipated costs or challenges associated with the Initial Plan Processor would have been fairly and reasonably shared among the Participants and Industry Members on an ongoing basis. Given that the Commission concluded in 2012 that the costs of the CAT would be shared by the Participants and Industry Members, it is not fair or reasonable to determine in hindsight that all of the risk involved in developing the CAT should be allocated entirely to the Participants.

(F) CAIS Implementation Costs

CAT LLC believes that the recovery of CAIS-related costs is appropriate, and that the amount and scope of such costs, as described above, are reasonable, and that the reasonableness of historical costs should be evaluated by the Commission as of the time they were incurred, not in hindsight.

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable CAIS operating costs as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . CAIS operating fees.”¹⁸⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . CAIS operating fees.”¹⁸⁶ In keeping with these provisions, this filing provides a brief description of reasonably budgeted CAIS operating fees.

In addition, CAT LLC determined that the CAIS operating fees described above are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A. The “CAIS Operating Costs” for Historical CAT Costs 1 total \$9,480,587, with Pre-FAM costs of \$2,072,908, FAM 1 costs of \$254,998, FAM 2 costs of \$1,590,298, and FAM 3 costs of \$5,562,383. As described above, the CAIS operating fees were incurred with regard to two categories of CAIS-related efforts: (1) the acceleration of the reporting of LTIDs; and (2) the development of the CAIS Technical Specifications and the building of CAIS. These two categories of costs are discussed in more detail below.

¹⁸¹ CAT NMS Plan Approval Order at 84737.

¹⁸² Letter from the Participants to Brent J. Fields, Secretary, SEC (Jan. 18, 2017), <https://www.sec.gov/divisions/marketreg/rule613-info-notice-of-plan-processor-selection.pdf>.

¹⁸³ Letter from Kenneth E. Bentsen, Jr., SIFMA, to Participants re: Selection of Thesys as CAT Processor (Apr. 4, 2017), <https://www.sifma.org/wp-content/uploads/2017/05/SIFMA-Submits-Comment-Letter-to-SRO-on-the-selection-of-Thesys-as-the-CAT-Processor.pdf>.

¹⁸⁴ CAT Funding Model Approval Order at 13421.

¹⁸⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁸⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁸⁰ Settlement Exemptive Order at 77129–30.

(i) LTID Reporting

During the period covered by Historical CAT Assessment 1A, the CAIS operating costs included costs related to the acceleration of the reporting of LTIDs earlier than originally contemplated during this period at the request of the SEC and in accordance with exemptive relief granted by the SEC.¹⁸⁷ As the SEC approved in this exemptive relief, the Participants proposed “to require the reporting of LTIDs to the CAT in Phases 2c and 2d, instead of with the rest of Customer Account Information in Phase 2e, which potentially could result in an earlier elimination of broker-dealer recordkeeping, reporting and monitoring requirements of the Large Trader Rule.”¹⁸⁸ To implement the reporting of LTIDs to the CAT, the following steps were taken during the period covered by Historical CAT Assessment 1A:

- After FCAT developed the LTID Technical Specifications, the LTID Technical Specifications were published on January 31, 2020, with additional updates provided to the LTID Technical Specifications through April 2021.¹⁸⁹
- The LTID account information testing environment opened on August 24, 2020.
- The LTID account information reporting production environment opened on December 14, 2020.
- CAT Reporters were required to request their production readiness certification for account information related to LTIDs by the deadline of April 9, 2021.
- The LTID account information reporting for Phases 2a, 2b and 2c for Large Industry Members went live on April 26, 2021.
- The LTID account information reporting for Phases 2d for Large Industry Members went live on December 13, 2021.
- The LTID account information reporting for Phases 2a, 2b, 2c and 2d for Small Industry Members went live on April 26, 2021.

Throughout this project, FCAT and CAT LLC worked closely with the industry on LTID and CAIS reporting. Between December 2019 and December 2021, at least 57 checkpoint calls, webinars, and technical working group meetings with industry representatives

were hosted to address issues and to educate CAT Reporters regarding LTID and CAIS reporting.¹⁹⁰

The LTID reporting project was successfully completed in a timely fashion, and the fees related to the project were reasonable. Accordingly, CAT LLC appropriately seeks to recover such costs via Historical CAT Assessment 1A.

(ii) CAIS Reporting

During the period covered by Historical CAT Assessment 1A, FCAT began the development of the full CAIS Technical Specifications and the building of CAIS. The CAIS Technical Specifications were developed during this period as follows:

- Iterative drafts of the CAIS Technical Specifications were published on June 30, 2020, December 1, 2020, and January 1, 2021.¹⁹¹
 - The full, final CAIS Technical Specifications were published on January 29, 2021.
 - Updated versions of the CAIS Technical Specifications were published throughout 2021.¹⁹²
- As discussed above, FCAT and CAT LLC frequently engaged with the industry regarding the development of CAIS, hosting regular checkpoint calls, webinars, and technical working group meetings with industry representatives to address any issues, including addressing the interplay between Industry Members’ existing customer systems and CAIS, and to educate CAT Reporters regarding LTID and CAIS reporting. Such engagement was critical to the CAIS development process as the CAIS project was unprecedented in terms of its content, scope and complexity.

During this period, FCAT also commenced the building of the CAIS system in accordance with the CAIS Technical Specifications during the period covered by Historical CAT Assessment 1A. The CAIS system was ready for industry testing shortly after the end of this period in January 2022.

The CAIS Technical Specifications and the CAIS system, as developed during this period, continue to be used. Industry Members have been required to report, and have continuously reported, required data to CAIS on a daily basis

since November 7, 2022, consistent with interim reporting obligations. The CAIS system accepts and validates the CAIS data submitted by Industry Members and provides Industry Members with initial feedback on data errors. In light of the unprecedented nature of the CAIS system, certain changes to the system, such as changes related to error corrections and the CAIS regulatory portal, were necessary to finalize CAIS reporting. FCAT worked to address these remaining issues,¹⁹³ and, as of May 31, 2024, FCAT indicated that it had achieved the final CAIS reporting milestone. Accordingly, CAT LLC appropriately seeks to recover CAIS operating costs via Historical CAT Assessment 1A.

(G) Public Relations Costs

CAT LLC believes that the recovery of public relations costs is appropriate and that the amount and scope of such costs, as described above, are reasonable.

The Commission has long recognized that external public relations costs are reasonably associated with creating, implementing and maintaining the CAT. In the CAT NMS Plan Approval Order, the Commission estimated that the Participants had collectively spent approximately \$2,400,000 in preparation of the CAT NMS Plan on external public relations, legal, and consulting costs, and estimated that the Participants would continue to incur external public relations costs associated with maintaining the CAT upon approval of the CAT NMS Plan.¹⁹⁴

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover reasonable costs for public relations services as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . public relations costs.”¹⁹⁵ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . public relations costs.”¹⁹⁶ In keeping with these provisions, a brief description of reasonable public relations costs are described above.

In addition, CAT LLC determined that the public relations costs described above are reasonable in both amount

¹⁸⁷ See Phased Reporting Exemptive Relief Order at 23079–80.

¹⁸⁸ *Id.* at 23078–79, n.70.

¹⁸⁹ The LTID Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹⁰ Such contact points with the industry are described in detail on the Events web page of the CAT website (<https://www.catnmsplan.com/events>).

¹⁹¹ The CAIS Technical Specifications, including original drafts and updated versions, are available on the Industry Member Specifications page of the CAT website (<https://www.catnmsplan.com/specifications/im>).

¹⁹² Six updated versions of the CAIS Technical Specifications were published during 2021, in March, May, June, August, October and December.

¹⁹³ See, e.g., CAT Q4 2023 Quarterly Progress Report (Jan. 30, 2024) (<https://www.catnmsplan.com/sites/default/files/2024-01/CAT-Q4-2023-QPR.pdf>).

¹⁹⁴ CAT NMS Plan Approval Order at 84917–18.

¹⁹⁵ Section 11.1(a)(i) of the CAT NMS Plan.

¹⁹⁶ Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

and scope and should be recoverable as a part of Historical CAT Assessment 1A. The services performed by the public relations firms through 2021 were limited in scope to assist CAT LLC, which has no employees of its own, to be better positioned to understand and address CAT matters to the benefit of all market participants and to communicate on important CAT topics with the public. In addition, the costs for these services were appropriately limited. During the 10-year period covered by Historical CAT Assessment 1A, the average cost per year for these services was approximately \$36,000.

(H) Legal Costs Related to the Limitation of Liability Provision in CAT Reporter Agreements

CAT LLC believes that the recovery of legal costs related to the limitation of liability provision, including costs related to the proceedings before the SEC and costs related to the proposed amendment to the Consolidated Audit Trail Reporter Agreement and the Consolidated Audit Trail Reporting Agent Agreement (the “Reporting Agreements”) is appropriate and that the amount and scope of such costs as described above are reasonable.

As a preliminary matter, as discussed above, the Commission recognized that it is appropriate to recover reasonable costs for legal services as a part of Historical CAT Assessments.¹⁹⁷ In addition, CAT LLC determined that the legal costs incurred for the assistance with regard to the limitation of liability provisions are reasonable in both amount and scope and should be recoverable as a part of Historical CAT Assessment 1A.

Moreover, it is critical that CAT LLC, which has no employees of its own, have the ability to fund a legal defense in litigation and other legal proceedings against it. In response to CAT LLC requiring Industry Members to agree to the limitation of liability provision to submit data to the CAT, SIFMA filed an application for review of actions taken by CAT LLC and the Participants pursuant to Sections 19(d) and 19(f) of the Exchange Act. Contemporaneously with the filing of this proceeding, SIFMA moved for a stay of the requirement that Industry Members sign a Reporter Agreement, or in the alternative, asked the Commission to further delay the launch of CAT reporting on June 22, 2020. CAT LLC must have the resources to defend itself from litigious actions by others, like these.

Although a limitation of liability provision ultimately was not adopted as proposed, it was a reasonable provision to propose for the CAT Reporter Agreements, given that such provisions are in accordance with industry norms. Limitations of liability are ubiquitous within the securities industry and have long governed the economic relationships between self-regulatory organizations and the entities that they regulate. For example, U.S. securities exchanges have adopted rules to limit their liability for losses that Industry Members incur through their use of exchange facilities.¹⁹⁸ Similarly, FINRA’s former order audit trail, OATS, which has functioned as an integrated audit trail of order, quote, and trade data for equity securities, required FINRA members to acknowledge an agreement that includes a limitation of liability provision.¹⁹⁹ In addition, such a provision was intended to ensure the financial stability of the CAT. Accordingly, it was reasonable for CAT LLC to propose the use of such a provision.²⁰⁰

Furthermore, as described above, the specialized services were performed by experienced counsel at market rates for such services. Accordingly, the legal costs for the efforts related to the limitation of liability provision were reasonable.

(I) Costs for the Chair of the CAT Operating Committee

CAT LLC believes that the recovery of consulting costs related to the Chair of the CAT Operating Committee is appropriate and that the amount and scope of such costs are reasonable.

As a preliminary matter, the selection of the Chair of the Operating Committee complies with the requirements of Section 4.2 of the CAT NMS Plan. The initial Chair that served during the period covered by Historical CAT Assessment 1A was designated by a Participant as the Participant’s alternate voting member. Accordingly, the Chair is a representative of the Participants, as required by the CAT NMS Plan.

In addition, in approving the CAT Funding Model, the Commission

recognized that it is appropriate to recover reasonable costs for consulting as a part of Historical CAT Assessments. As approved by the SEC, the CAT NMS Plan states that “the reasonably budgeted CAT costs shall include . . . consulting . . .” costs.²⁰¹ In addition, the CAT NMS Plan also requires Participants to include in their fee filings “a brief description of the amount and type of the Historical CAT Costs, including . . . consulting”²⁰² costs. In keeping with these provisions, a brief description of reasonable consulting costs is included in this filing, and such reasonable consulting costs include the costs related to the Chair position.

The Participants determined that the position of the Chair was a critical role for the implementation of the CAT, and an independent Chair would appropriately consider and address the views of each of the Participants. The Participants also determined that it was important to have a Chair with a strong background regarding issues related to the regulatory obligations of self-regulatory organizations, including their obligations under national market system plans. The compensation paid to the Chair is appropriate for a person with such background and skills. The average annual amount paid to the Chair from 2017 through the end of FAM 3 was \$292,733.30. Separate from the Chair, CAT LLC relies upon a Leadership Team of representatives of the SROs to oversee the day-to-day implementation of the CAT NMS Plan. CAT LLC does not compensate any member of the Leadership Team.

(11) Fee Implementation Assistance for Industry Members

(A) Reconciliation of CAT Invoices

(i) Reconciliation of CAT Invoices to Underlying Trades Provided by CAT

CAT LLC understands that there are three types of reconciliation processes related to the invoices:

- *Reconciliation of CAT Invoices to Underlying Trades:* Reconciling the CAT invoice amount to the underlying trades provided by CAT;
- *Matching Trades to Books and Records:* Providing the means to match the underlying trades provided by CAT with CAT invoices to other books and records independently maintained by individual CAT Reporters (*e.g.*, exchange trade journals/ acknowledgements) and data sources of

¹⁹⁸ See, *e.g.*, NASDAQ Equities Rule 4626.

¹⁹⁹ FINRA Rule 1013(a)(1)(R) requires all applicants for FINRA Membership to acknowledge the FINRA Entitlement Program Agreement and Terms of Use, which applies to OATS. Industry Members click to indicate that they agree to its terms—including its limitation of liability provision—every time they access FINRA’s OATS system to report trade information (*i.e.*, repeatedly over the course of a trading day for many Industry Members).

²⁰⁰ See Letter from Michael Simon, Chair, CAT Operating Committee, to Vanessa Countryman, Secretary, Commission (Dec. 18, 2020).

²⁰¹ Section 11.1(a)(i) of the CAT NMS Plan.

²⁰² Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

¹⁹⁷ See Sections 11.1(a)(i) and 11.3(b)(iii)(B)(II) of the CAT NMS Plan.

self-regulatory organizations independent of CAT; and

- *Order Originator Identification:* Providing the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices, which would facilitate firms' ability to pass through CAT Fees to their customers.

As discussed further below, CAT LLC only considers the first type of process to be a "reconciliation" and the only type of process that is required under the CAT NMS Plan. CAT LLC provides the means to reconcile the CAT invoice amount to the underlying trades provided by CAT.

The CAT NMS Plan does not require CAT LLC to facilitate the second type of process: matching underlying trades for a CAT invoice with a firm's internal books and records. CAT LLC has access only to the underlying trades provided by CAT; it does not have access to a firm's internal books and records. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying trades with their own books and records.

The CAT NMS Plan also does not require CAT LLC to provide the ability to identify the order originator for the underlying trades for the CAT invoices. Accordingly, the billing guidance and processes do not provide CAT Reporters with the ability to identify the order originator for the underlying trades provided by CAT with CAT invoices. CAT LLC has been working closely with CAT Reporters to explain its billing approach and to address any outstanding billing questions. But, it should not be lost that CAT LLC provides information sufficient to allow CAT Reporters to reconcile CAT invoice amounts with the underlying trades provided by CAT LLC.

(ii) Match the Underlying Trades Provided by CAT With CAT Invoices to Firms' Internal Books and Records Independent of CAT

The CAT NMS Plan does not require CAT LLC to facilitate the matching of underlying trades for a CAT invoice with a firm's internal books and records, which may consist of trading data from various sources external to CAT. Although beyond the requirements of the CAT NMS Plan and involving firm specific considerations, CAT LLC voluntarily has provided guidance and processes to assist CAT Reporters in their efforts to match the underlying

trades with their own books and records.

In this regard, it is important to recognize that CAT LLC has developed a billing approach that greatly improves upon existing billing practices for similar regulatory fees (e.g., fees related to Section 31). Accordingly, with the additional information voluntarily provided by CAT LLC, CAT Reporters generally will have sufficient information to match their underlying trades provided by CAT with their own internal books and records that are independent of CAT or to SRO data that is independent of CAT data. However, CAT LLC emphasizes that providing such additional information is not required by the CAT NMS Plan.

To facilitate the introduction of CAT fees, CAT LLC has worked with FCAT to develop an approach to CAT billing that is consistent with existing billing constructs used with regard to Section 31-related sales values fees, subject to certain enhancements. Under this billing approach, FCAT is providing additional linkage elements, not necessarily provided in the Section 31-sales value fee context, to facilitate CAT Reporters' ability to match the underlying trades provided by CAT with their internal books and records and to reduce the complexity of that process. Specifically, FCAT is providing various key elements of the trade itself, such as the tradeID and branch sequence,²⁰³ to CAT Reporters in the trade billing details provided with their CAT invoices ("Additional Trade Details"). As a result, CAT Reporters now have numerous alternative methods for matching a trade with their internal books and records where they previously did not have such matching methods in other fee contexts.

With the Additional Trade Details, CAT LLC and FCAT believe that the overwhelming majority of underlying trades provided by CAT bills can be matched with a CAT Reporter's internal books and records. CAT LLC recognizes that there may be certain cases in which such matching is more difficult given various firm-specific considerations, but believes that such instances are significantly more limited than with regard to the SRO fees charged in relation to Section 31.²⁰⁴ By providing

²⁰³ See CAT Technical Specifications for Billing Trade Details; Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>); CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁴ For years, broker-dealers have faced similar reconciliation issues with regard to SRO fees related

Additional Trade Details that are not available in other fee contexts, FCAT enhances the Industry Members' ability to match the underlying trades provided with CAT invoices with books and records and SRO data, both of which are independent of CAT data.

(iii) CAT LLC Is Not Required To Facilitate CAT Reporters' Ability To Pass Through Fees to Their Customers

Similar to other regulatory fees, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Accordingly, Historical CAT Assessment 1A does not address the process by which any CAT Reporters may pass through the fee to their customers. Likewise, the CAT billing approach provided by the Plan Processor is designed to address the needs of CAT Reporters with regard to the reconciliation of CAT invoices with the underlying trades provided by CAT LLC with the invoices; they are not designed to address issues related to any pass-through fees. Accordingly, facilitating CAT Reporters' ability to pass through fees to their clients is outside the scope of this fee filing. Nevertheless, as described below, CAT LLC and the Plan Processor have expended significant efforts to provide technical assistance to Industry Members regarding the implementation of Historical CAT Assessment 1A, including providing Additional Trade Details that provide significant details about each underlying trade.

(a) Originating Brokers Versus Executing Brokers

In its approval of the CAT Funding Model, the Commission approved charging CAT fees to the CAT Executing Broker, rather than the originating broker. This fee filing must comply with the requirements of the CAT Funding Model, and, therefore, charges the Historical CAT Assessment 1A to CAT Executing Brokers.

Moreover, charging originating brokers would introduce significant

to Section 31. Broker-dealers have responded to this issue in the Section 31 context by exercising their discretion as to whether and the manner and extent to which they pass on those fees (e.g., by rounding up its fees to the nearest cent, or decide to charge for, or not charge for, certain transactions, or assess a specific fee or incorporate the costs into other fee programs). See, e.g., Securities Exchange Act Rel. No. 49928 (June 28, 2004), 69 FR 41060, 41072 (July 7, 2004) (noting that broker-dealers may "over-collect" Section 31-related fees charged to their clients due to rounding practices, and double-counting with regard to certain transactions).

complexity to the billing process from the CAT's perspective, and would increase the costs of implementing CAT fees. Charging the CAT Executing Broker is simple and straightforward, and leverages a one-to-one relationship between billable events (trades) and billable parties, similar to other transaction-based fees. In contrast, for a single trade event, there may be many originating brokers, and each trade must be broken down on a pro-rata basis, to account for one or more layers of aggregation, disaggregation, and representation of the underlying orders. While CAT is indeed designed to capture and unwind complex aggregation scenarios, the data and linkages are structured to facilitate regulatory use, and not a billing mechanism that assesses fees on a distinct set of executed trades; it is not simply a matter of using existing CAT linkages. Furthermore, charging originating brokers would implicate issues related to lifecycle linkage rates, and issues related to corrections, cancellations and allocations, while charging CAT Executing Brokers would avoid such issues.

(b) Identification of Order Originator for Underlying Trades

As noted, the CAT NMS Plan does not address the manner or extent to which CAT Executing Brokers may seek to pass any CAT Fees on to their customers, nor does it impose any obligation on CAT LLC or the Plan Processor to facilitate firms' ability to do so. Nevertheless, the Additional Trade Details provided with regard to the underlying trades on CAT invoices may assist with this process. Like with Section 31-related sales value fees, however, it is not always possible to trace every fee on a transaction back to the originating party. Industry Members have faced these issues under Section 31-related sales values fees for many years.²⁰⁵ However, with the Additional Trade Details provided under the CAT billing approach, in many cases, CAT Reporters will be able to identify the order originator for the underlying trades provided by CAT with CAT invoices. In some cases, CAT

LLC believes that certain issues related to certain types of market activity may implicate CAT Reporters' ability to identify the order originator for a limited set of underlying trades for the CAT invoices. Although CAT LLC does not believe that it is required to address these issues, CAT LLC and FCAT have been carefully researching and analyzing these types of issues as they are identified, and have been working voluntarily to assist CAT Reporters with these issues as necessary and when possible. In addition, CAT LLC intends to continue to provide CAT Reporters with billing guidance through FAQs, CAT Alerts and Helpdesk responses to address outstanding billing questions.

(B) Significant Technical Assistance

CAT LLC has worked with FCAT to provide significant technical assistance to Industry Members to allow the Industry Members to understand how Historical CAT Assessments will be implemented and billed, including webinars, CAT alerts, mock invoices, and responses to questions posed to the FCAT Help Desk.

- *Technical Specifications and Scenarios.* CAT LLC has provided detailed technical documentation for CAT billing, including (1) technical specifications, which describe the CAT Billing Trade Details Files associated with monthly CAT invoices, including detailed information about data elements and file formats as well as access instructions, network and transport options;²⁰⁶ (2) trade details schemas;²⁰⁷ and (3) CAT billing scenarios.²⁰⁸

- *Industry Webinars.* CAT LLC has hosted two industry webinars specifically dedicated to CAT billing. The first webinar, hosted on September 28, 2023, discussed the operational implementation of the CAT Reporter billing process.²⁰⁹ The second webinar, hosted on November 7, 2023, provided (1) a demonstration of the CAT Reporter Portal and how to access CAT billing documents, including CAT invoices; and (2) additional information on underlying trade details in relation to

the CAT Reporter billing process and an overview of the CAT Contact Management System.²¹⁰ 485 participants and 394 participants attended the two webinars, respectively.

- *CAT Alert.* CAT LLC has published a detailed CAT Alert that describes how FCAT, as the Plan Processor acting on behalf of CAT LLC, will calculate applicable fees, issue invoices to and collect payment from CAT Executing Brokers.²¹¹

- *Frequently Asked Questions (FAQs).* CAT LLC also has continued to engage with the industry on billing issues by making responses to billing FAQs available on the CAT website. The FAQs address a broad range of frequently asked questions, including, for example, which Industry Members will receive invoices, how fees are calculated, when and how fees are required to be paid, how to access invoices, and how to update the billing contact. To date, responses to 31 FAQs are available on the CAT website, and CAT LLC will provide additional responses to FAQs as warranted.²¹²

- *Substantial Past Experience with CAT Billing Processes.* To date, CAT LLC, via FCAT, has billed Industry Members for Historical CAT Assessment 1 and certain Prospective CAT Fees. Industry Members will be billed for Historical CAT Assessment 1A via the same processes established for Historical CAT Assessment 1 and the Prospective CAT Fees. Accordingly, Industry Members have substantial experience with the CAT billing processes.

- *Help Desk Assistance.* CAT LLC also provides detailed, individualized assistance to Industry Members regarding CAT fees and the billing process through the FCAT Help Desk.²¹³ For example, the Help Desk assisted with 406 cases related to the billing of CAT fees from July 2023 through March 2024.

By providing such detailed and sustained assistance to Industry Members regarding CAT fees and billing, CAT LLC has successfully

²¹⁰ CAT Billing Webinar, Part 2 (Nov. 7, 2023) (<https://www.catnmsplan.com/events/part-2-cat-billing-webinar>).

²¹¹ See CAT Alert 2023-02 (Oct. 12, 2023) (<https://www.catnmsplan.com/sites/default/files/2023-10/10.12.23-CAT-Alert-2023-02.pdf>).

²¹² See CAT Billing FAQs, Section V of CAT FAQs (https://www.catnmsplan.com/faq?search_api_fulltext=&field_topics=271&sort_by=field_faq_number).

²¹³ The CAT NMS Plan requires that the Plan Processor "staff a CAT help desk, as described in Appendix D, CAT Help Desk, to provide technical expertise." Section 6.10(c)(vi) of the CAT NMS Plan. See also Section 10.3 of Appendix D of the CAT NMS Plan for a description of the Plan requirements for the CAT Help Desk.

²⁰⁵ "FINRA charges a Regulatory Transaction Fee ('RTF') to industry members to reimburse FINRA for the Section 31 fees that FINRA pays to the Commission. FINRA does not currently provide industry members with the data that industry members require for proper reconciliation of RTF fees. This has been a major problem for the industry for many years." Letter from Howard Meyerson, Managing Director, FIF, to Robert Cook, Chief Executive Officer, FINRA at 2 (Dec. 15, 2023) (<https://fif.com/index.php/working-groups/category/271-comment-letters?download=2820:fif-letter-to-finra-on-pass-through-of-finra-cat-fees&view=category>).

²⁰⁶ CAT Technical Specifications for Billing Trade Details, Version 1.0 r1 (Dec. 8, 2023) (https://catnmsplan.com/sites/default/files/2023-12/12.07.2023-CAT-Technical-Specifications-for-Billing-Trade-Details-v1.0r1_CLEAN.pdf).

²⁰⁷ Trade Details Schema (<https://catnmsplan.com/sites/default/files/2024-02/02.05.24-Billing-Trade-Details-Schema.json>).

²⁰⁸ CAT Billing Scenarios, Version 1.0 (Nov. 30, 2023) (<https://www.catnmsplan.com/sites/default/files/2024-01/01.12.2024-CAT-Billing-Scenarios-v1.0.pdf>).

²⁰⁹ CAT Billing Webinar, Part 1 (Sept. 28, 2023) (<https://www.catnmsplan.com/events/part-1-cat-billing-webinar>).

addressed questions raised by Industry Members regarding the CAT fees and billing processes.

(C) Notice to Industry Members

In keeping with past practice, CAT LLC provided notice of the proposed Historical CAT Assessment 1A via CAT Fee Alert on April 1, 2026,²¹⁴ one month prior to the effective date of Historical CAT Assessment 1A on May 1, 2026. Such notice provides Industry Members with sufficient time to address any technological or other requirements necessary for implementing Historical CAT Assessment 1A.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the requirements of the Exchange Act. The Exchange believes that the proposed rule change is consistent with Section 6(b)(5) of the Act,²¹⁵ which requires, among other things, that the Exchange's rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and not designed to permit unfair discrimination between customers, issuers, brokers and dealers. The Exchange also believes that the proposed rule change is consistent with the provisions of Section 6(b)(4) of the Act,²¹⁶ because it provides for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using its facilities and does not unfairly discriminate between customers, issuers, brokers or dealers. The Exchange further believes that the proposed rule change is consistent with Section 6(b)(8) of the Act,²¹⁷ which requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. These provisions also require that the Exchange be "so organized and [have] the capacity to be able to carry out the purposes" of the Act and "to comply, and . . . to enforce compliance by its members and persons associated with its members," with the provisions of the Exchange Act.²¹⁸ Accordingly, a reasonable reading of the Act indicates that it intended that regulatory funding be sufficient to permit an exchange to fulfill its

statutory responsibility under the Act, and contemplated that such funding would be achieved through equitable assessments on the members, issuers, and other users of an exchange's facilities.

The Exchange believes that this proposal is consistent with the Act because it implements provisions of the Plan and is designed to assist the Exchange in meeting regulatory obligations pursuant to the Plan. In approving the Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²¹⁹ To the extent that this proposal implements the Plan and applies specific requirements to Industry Members, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Act.

The Exchange believes that the proposed fees paid by the CEBBs and CEBs are reasonable, equitably allocated and not unfairly discriminatory. First, the Historical CAT Assessment 1A fees to be collected are directly associated with the costs of establishing and maintaining the CAT, where such costs include Plan Processor costs and costs related to technology, legal, consulting, insurance, professional and administration, and public relations costs. The Exchange has already incurred such development and implementation costs and the proposed Historical CAT Assessment 1A fees, therefore, would allow the Exchange to collect certain of such costs in a fair and reasonable manner from Industry Members, as contemplated by the CAT NMS Plan.

The proposed Historical CAT Assessment 1A fees would be charged to Industry Members in support of the maintenance of a consolidated audit trail for regulatory purposes. The proposed fees, therefore, are consistent with the Commission's view that regulatory fees be used for regulatory purposes and not to support the Exchange's business operations. The proposed fees would not cover Exchange services unrelated to the CAT. In addition, any surplus would be used as a reserve to offset future fees. Given the direct relationship between CAT fees and CAT costs, the Exchange believes that the proposed fees are

reasonable, equitable and not unfairly discriminatory.

As further discussed below, the SEC approved the CAT Funding Model, finding it was reasonable and that it equitably allocates fees among Participants and Industry Members. The Exchange believes that the proposed fees adopted pursuant to the CAT Funding Model approved by the SEC are reasonable, equitably allocated and not unfairly discriminatory.

(1) Implementation of CAT Funding Model in CAT NMS Plan

Section 11.1(b) of the CAT NMS Plan states that "[t]he Participants shall file with the SEC under Section 19(b) of the Exchange Act any such fees on Industry Members that the Operating Committee approves." Per Section 11.1(b) of the CAT NMS Plan, the Exchange has filed this fee filing to implement the Industry Member CAT fees included in the CAT Funding Model. The Exchange believes that this proposal is consistent with the Exchange Act because it is consistent with, and implements, the CAT Funding Model in the CAT NMS Plan, and is designed to assist the Exchange and its Industry Members in meeting regulatory obligations pursuant to the CAT NMS Plan. In approving the CAT NMS Plan, the SEC noted that the Plan "is necessary and appropriate in the public interest, for the protection of investors and the maintenance of fair and orderly markets, to remove impediments to, and perfect the mechanism of a national market system, or is otherwise in furtherance of the purposes of the Act."²²⁰ Similarly, in approving the CAT Funding Model, the SEC concluded that the CAT Funding Model met this standard.²²¹ As this proposal implements the Plan and the CAT Funding Model described therein, and applies specific requirements to Industry Members in compliance with the Plan, the Exchange believes that this proposal furthers the objectives of the Plan, as identified by the SEC, and is therefore consistent with the Exchange Act.

(2) Calculation of Fee Rate for Historical CAT Assessment 1A Is Reasonable

The SEC has determined that the CAT Funding Model is reasonable and satisfies the requirements of the Exchange Act. Specifically, the SEC has concluded that the method for determining Historical CAT Assessments as set forth in Section 11.3 of the CAT NMS Plan, including the formula for calculating the Historical

²¹⁴ CAT Fee Alert 2026-1 (Apr. 1, 2026) (<https://www.catnmsplan.com/sites/default/files/2026-04/04.01.26-CAT-Fee-Alert-2026-1.pdf>).

²¹⁵ 15 U.S.C. 78f(b)(6).

²¹⁶ 15 U.S.C. 78f(b)(4).

²¹⁷ 15 U.S.C. 78f(b)(8).

²¹⁸ See Section 6(b)(1) of the Exchange Act.

²¹⁹ CAT NMS Plan Approval Order at 84697.

²²⁰ CAT NMS Plan Approval Order at 84696.

²²¹ CAT Funding Model Approval Order at 13481.

Fee Rate, the identification of the parties responsible for payment and the transactions subject to the fee rate for the Historical CAT Assessment, is reasonable and satisfies the Exchange Act.²²² In each respect, as discussed above, Historical CAT Assessment 1A is calculated, and would be applied, in accordance with the requirements applicable to Historical CAT Assessments as set forth in the CAT NMS Plan. Furthermore, as discussed below, the Exchange believes that each of the figures for the variables in the SEC-approved formula for calculating the fee rate for Historical CAT Assessment 1A is reasonable and consistent with the Exchange Act. Calculation of the fee rate for Historical CAT Assessment 1A requires the figures for the Historical CAT Costs 1, the executed equivalent share volume for the prior twelve months, the determination of Historical Recovery Period 1A, and the projection of the executed equivalent share volume for Historical Recovery Period 1A. Each of these variables is reasonable and satisfies the Exchange Act, as discussed throughout this filing.

(A) Historical CAT Costs 1

The formula for calculating a Historical Fee Rate requires the amount of Historical CAT Costs to be recovered. Specifically, Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan requires a fee filing to provide:

a brief description of the amount and type of the Historical CAT Costs, including (1) the technology line items of cloud hosting services, operating fees, CAIS operating fees, change request fees, and capitalized developed technology costs, (2) legal, (3) consulting, (4) insurance, (5) professional and administration and (6) public relations costs.

In accordance with this requirement, the Exchange has set forth the amount and type of Historical CAT Costs 1 for each of these categories of costs above.

Section 11.3(b)(iii)(B)(II) of the CAT NMS Plan also requires that the fee filing provide “sufficient detail to demonstrate that the Historical CAT Costs are reasonable and appropriate.” As discussed below, the Exchange believes that the amounts set forth in this filing for each of these cost categories is “reasonable and appropriate.” Each of the costs included in Historical CAT Costs 1 are reasonable and appropriate because the costs are consistent with standard industry practice, based on the need to comply with the requirements of the CAT NMS

Plan, incurred subject to negotiations performed on an arm’s length basis, and/or are consistent with the needs of any legal entity, particularly one with no employees.

(i) Technology: Cloud Hosting Services

In approving the CAT Funding Model, the Commission recognized that it is appropriate to recover costs related to cloud hosting services as a part of Historical CAT Assessments.²²³ CAT LLC determined that the costs related to cloud hosting services described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. As described above, the cloud hosting services costs reflect, among other things, the breadth of the CAT cloud activities, data volume far in excess of the original volume estimates, the need for specialized cloud services given the volume and unique nature of the CAT, the processing time requirements of the Plan, and regular efforts to seek to minimize costs where permissible under the Plan. CAT LLC determined that use of cloud hosting services is necessary for implementation of the CAT, particularly given the substantial data volumes associated with the CAT, and that the fees for cloud hosting services negotiated by FCAT were reasonable, taking into consideration a variety of factors, including the expected volume of data and the breadth of services provided and market rates for similar services.²²⁴ Indeed, the actual costs of the CAT are far in excess of the original estimated costs of the CAT due to various factors, including the higher volumes and greater complexity of the CAT than anticipated when Rule 613 was originally adopted.

To comply with the requirements of the Plan, the breadth of the cloud activities related to the CAT is substantial. The cloud services not only include the production environment for the CAT, but they also include two industry testing environments, support environments for quality assurance and stress testing and disaster recovery capabilities. Moreover, the cloud storage costs are driven by the requirements of the Plan, which requires the storage of multiple versions of the data, from the original submitted version of the data through various processing steps, to the final version of the data.

Data volume is a significant driver of costs for cloud hosting services. When

the Commission adopted the CAT NMS Plan in 2016, it estimated that the CAT would need to receive 58 billion records per day²²⁵ and that annual operating costs for the CAT would range from \$36.5 million to \$55 million.²²⁶

Through 2021, the actual data volumes have been five times that original estimate. The data volumes for each period are set forth in detail above.²²⁷

In addition to the effect of the data volume on the cloud hosting costs, the processing timelines set forth in the Plan contribute to the cloud hosting costs. Although CAT LLC has proactively sought to manage cloud hosting costs while complying with the Plan, including through requests to the Commission for exemptive relief and an amendment to the CAT NMS Plan, stringent CAT NMS Plan requirements do not allow for any material flexibility in cloud architecture design choices, processing timelines (e.g., the use of non-peak processing windows), or lower-cost storage tiers. As a result, the required CAT processing timelines contribute to the cloud hosting costs of the CAT.

The costs for cloud hosting services also reflect the need for specialized cloud hosting services given the data volume and unique processing needs of the CAT. The data volume as well as the data processing needs of the CAT necessitate the use of cloud hosting services. The equipment, power and services required for an on-premises data model, the alternative to cloud hosting services, would be cost prohibitive. Moreover, as CAT was being developed, there were limited cloud hosting providers that could satisfy all the necessary CAT requirements, including the operational and security criteria. Over time more providers offering cloud hosting services that would satisfy these criteria have entered the market. CAT LLC will continue to evaluate alternative cloud hosting services, recognizing that the time and cost to move to an alternative cloud provider would be substantial.

The reasonableness of the cloud hosting services costs is further supported by key cost discipline mechanisms for the CAT—a cost-based funding structure, cost transparency, cost management efforts (including regular efforts to lower compute and storage costs where permitted by the Plan) and oversight. Together, these mechanisms help ensure the ongoing

²²³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²²⁴ For a discussion of the amount and type of cloud hosting services fees, see Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²⁵ Appendix D–4 of the CAT NMS Plan at n.262.

²²⁶ CAT NMS Plan Approval Order at 84801.

²²⁷ See Sections 3(a)(2)(B)(i)(a)(I), 3(a)(2)(B)(i)(b)(I), 3(a)(2)(B)(i)(c)(I) and 3(a)(2)(B)(i)(d)(I) above.

²²² *Id.*

reasonableness of the CAT's costs and the level of fees assessed to support those costs.²²⁸

(ii) Technology: Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to operating fees as a part of Historical CAT Assessments.²²⁹ CAT LLC determined that the costs related to operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The operating fees include the negotiated fees paid by CAT LLC to the Plan Processor to operate and maintain the system for order-related information and to perform business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the selection of FCAT as the Plan Processor was reasonable and appropriate given its expertise with securities regulatory reporting, after a process of considering other potential candidates.²³⁰ CAT LLC also determined that the fixed price contract, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan and Rule 613, was reasonable and appropriate, taking into consideration a variety of factors, including the breadth of services provided and market rates for similar types of activity.²³¹ The services performed by FCAT for each period and the costs related to such services are described above.²³²

(iii) Technology: CAIS Operating Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to CAIS operating fees as a part of Historical CAT Assessments.²³³ CAT LLC determined that the costs related to CAIS operating fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. The CAIS operating fees include the fees paid to the Plan

Processor to operate and maintain CAIS and to perform the business operations related to the system, including compliance, security, testing, training, communications with the industry (e.g., management of the FINRA CAT Helpdesk, FAQs, website and webinars) and program management. CAT LLC determined that the FCAT-negotiated fees for Kingland's CAIS-related services, negotiated on an arm's length basis with the goals of managing costs and receiving services required to comply with the CAT NMS Plan, taking into consideration a variety of factors, including the services to be provided and market rates for similar types of activity, were reasonable and appropriate.²³⁴ The services performed by Kingland for each period and the costs for each period are described above.²³⁵

(iv) Technology: Change Request Fees

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to change request fees as a part of Historical CAT Assessments.²³⁶ CAT LLC determined that the costs related to change request fees described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. It is common practice to utilize a change request process to address evolving needs in technology projects. This is particularly true for a project like CAT that is the first of its kind, both in substance and in scale. The substance and costs of each of the change requests are evaluated by the Operating Committee, and approved in accordance with the requirements for Operating Committee meetings. In each case, CAT LLC determined that the change requests were necessary to implement the CAT. As described above, the change requests cover various technology changes, including, for example, changes related to CAT reporting, data feeds and exchange functionality. CAT LLC also determined that the costs for each change request were appropriate for the relevant technology change. A description of the change requests for each FAM Period and their total costs is described above.²³⁷ As noted above, the total costs for change requests through FAM Period 3 represent a small percentage of

Historical CAT Costs 1—that is, 0.25% of Historical CAT Costs 1.

(v) Capitalized Developed Technology Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to capitalized developed technology costs as a part of Historical CAT Assessments.²³⁸ Capitalized developed technology costs include costs related to certain development costs, costs related to certain modifications, upgrades and other changes to the CAT, CAIS implementation fees and license fees. The amount and type of costs for each period are described in more detail above.²³⁹ CAT LLC determined that these costs are reasonable and should be included as a part of Historical CAT Costs 1.

These costs involve the activity of both the Initial Plan Processor and FCAT, as the successor Plan Processor.²⁴⁰ With regard to the Initial Plan Processor, the Participants utilized an RFP to seek proposals to build and operate the CAT, receiving a number of proposals in response to the RFP. The Participants carefully reviewed and considered each of the proposals, including holding in-person meetings with each of the Bidders. After several rounds of review, the Participants selected the Initial Plan Processor in accordance with the CAT NMS Plan. CAT LLC entered into an agreement with the Initial Plan Processor in which CAT LLC would pay the Initial Plan Processor a negotiated, fixed price fee.²⁴¹ In addition, as described above, CAT LLC determined that it was appropriate to enter into an agreement with FCAT as the successor Plan Processor.²⁴²

(vi) Legal

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover costs related to legal fees as a part of Historical CAT Assessments.²⁴³ CAT LLC determined that the legal costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Given the unique nature of the CAT, the number of parties involved with the CAT (including, for example, the SEC,

²²⁸ See Securities Exchange Act Rel. No. 97151 (Mar. 15, 2023), 88 FR 17086, 17117 (Mar. 21, 2023) (describing key cost discipline mechanisms for the CAT).

²²⁹ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁰ See Section 3(a)(2)(B)(i)(a)(II) above.

²³¹ See Sections 3(a)(2)(B)(i)(a)(II), 3(a)(2)(B)(i)(b)(II), 3(a)(2)(B)(i)(c)(II) and 3(a)(2)(B)(i)(d)(II) above.

²³² *Id.*

²³³ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁴ See Sections 3(a)(2)(B)(i)(a)(III), 3(a)(2)(B)(i)(b)(III), 3(a)(2)(B)(i)(c)(III) and 3(a)(2)(B)(i)(d)(III) above.

²³⁵ *Id.*

²³⁶ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁷ See Sections 3(a)(2)(B)(i)(a)(IV), 3(a)(2)(B)(i)(b)(IV), 3(a)(2)(B)(i)(c)(IV) and 3(a)(2)(B)(i)(d)(IV) above.

²³⁸ Section 11.3(b)(iii)(B)(II)(B)(1) of the CAT NMS Plan.

²³⁹ See Sections 3(a)(2)(B)(i)(a)(V), 3(a)(2)(B)(i)(b)(V), 3(a)(2)(B)(i)(c)(V) and 3(a)(2)(B)(i)(d)(V) above.

²⁴⁰ *Id.*

²⁴¹ See Section 3(a)(2)(B)(i)(a)(V) above.

²⁴² See Section 3(a)(2)(B)(i)(a)(II) above.

²⁴³ Section 11.3(b)(iii)(B)(II)(B)(2) of the CAT NMS Plan.

Participants, Industry Members, and vendors) and the many regulatory issues associated with the CAT, the scope of the necessary legal services is substantial. CAT LLC determined that the scope of the legal services is necessary to implement and maintain the CAT and that the legal rates reflect the specialized services necessary for such a project. When hiring each law firm for a CAT project, CAT LLC interviewed multiple firms, and determined to hire each firm based on a variety of factors, including the relevant expertise and fees. In each case, CAT LLC determined that the hourly fee rates were in line with market rates for the specialized legal expertise. In addition, CAT LLC determined that the total costs incurred for each CAT project were appropriate given the breadth of services provided. The services performed by each law firm for each period and the costs related to such services are described above.²⁴⁴

(vii) Consulting

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover consulting costs as a part of Historical CAT Assessments.²⁴⁵ CAT LLC determined that the consulting costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees²⁴⁶ and because of the significant number of issues associated with the CAT, the consultants provided assistance in the management of various CAT matters and the processes related to such matters.²⁴⁷ CAT LLC considered a variety of factors in choosing a consulting firm and determined to select Deloitte after an interview process.²⁴⁸ CAT LLC also determined that the consulting services were provided at reasonable market rates, as the fees were negotiated annually and comparable to the rates charged by other consulting firms for similar work.²⁴⁹ Moreover, the total costs for such consulting services were appropriate in light of the breadth of services provided by Deloitte. The

services performed by Deloitte and the costs related to such services are described above.²⁵⁰

(viii) Insurance

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover insurance costs as a part of Historical CAT Assessments.²⁵¹ CAT LLC determined that the insurance costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that it is common practice to have directors' and officers' liability insurance, and errors and omissions liability insurance. CAT LLC further determined that it was important to have cyber security insurance given the nature of the CAT, and such a decision is consistent with the CAT NMS Plan, which states that the cyber incident response plan may include "[i]nsurance against security breaches."²⁵² In selecting the insurance providers for these policies, CAT LLC engaged in an evaluation of alternative insurers, including a comparison of the pricing offered by the alternative insurers.²⁵³ Based on this analysis, CAT LLC determined that the selected insurance policies provided appropriate coverage at reasonable market rates.²⁵⁴

(ix) Professional and Administration

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover professional and administration costs as a part of Historical CAT Assessments.²⁵⁵ CAT LLC determined that the professional and administration costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. Because there are no CAT employees, all required accounting, financial, tax, cash management and treasury functions for CAT LLC have been outsourced at market rates. In addition, the required annual financial statement audit of CAT LLC is included in professional and administration costs, which costs are also at market rates.

CAT LLC determined to hire a financial advisory firm, Anchin, to assist with financial matters for the CAT. CAT LLC interviewed Anchin as

well as other potential financial advisory firms to assist with the CAT project, considering a variety of factors in its analysis, including the firm's relevant expertise and fees.²⁵⁶ The hourly fee rates for this firm were in line with market rates for the financial advisory services provided.²⁵⁷ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Anchin. The services performed by Anchin and the costs related to such services are described above.²⁵⁸

CAT LLC also determined to engage an independent accounting firm, Grant Thornton, to complete the audit of CAT LLC's financial statements, in accordance with the requirements of the CAT NMS Plan. CAT LLC interviewed this firm as well as another potential accounting firm to audit CAT LLC's financial statements, considering a variety of factors in its analysis, including the relevant expertise and fees of each of the firms. CAT LLC determined that Grant Thornton was well-qualified for the role given the balance of these considerations.²⁵⁹ Grant Thornton's fixed fee rate compensation arrangement was reasonable and appropriate, and in line with the market rates charged for these types of accounting services.²⁶⁰ Moreover, the total costs for such financial advisory services was appropriate in light of the breadth of services provided by Grant Thornton. The services performed by Grant Thornton and the costs related to such services are described above.²⁶¹

The professional and administrative costs also include costs related to the receipt of certain market data from Exegy. After performing an analysis of the available market data vendors to confirm that the data provided met the SIP Data requirements of the CAT NMS Plan and comparing the costs of the vendors providing the required SIP Data, CAT LLC determined to purchase market data from Exegy. Exegy provided the data elements required by the CAT NMS Plan, and the fees were reasonable and in line with market rates for the market data received.²⁶²

²⁴⁴ See Sections 3(a)(2)(B)(i)(a)(VI), 3(a)(2)(B)(i)(b)(VI), 3(a)(2)(B)(i)(c)(VI) and 3(a)(2)(B)(i)(d)(VI) above.

²⁴⁵ Section 11.3(b)(iii)(B)(II)(B)(3) of the CAT NMS Plan.

²⁴⁶ As stated in the filing of the proposed CAT NMS Plan, "[i]t is the intent of the Participants that the Company have no employees." Securities Exchange Act Rel. No. 77724 (Apr. 27, 2016), 81 FR 30614, 30621 (May 17, 2016).

²⁴⁷ CAT LLC uses certain third parties to perform tasks that may be performed by administrators for other NMS Plans. See, e.g., CTA Plan and CQ Plan.

²⁴⁸ See Section 3(a)(2)(B)(i)(a)(VII) above.

²⁴⁹ See Sections 3(a)(2)(B)(i)(a)(VII), 3(a)(2)(B)(i)(b)(VII), 3(a)(2)(B)(i)(c)(VII) and 3(a)(2)(B)(i)(d)(VII) above.

²⁵⁰ *Id.*

²⁵¹ Section 11.3(b)(iii)(B)(II)(B)(4) of the CAT NMS Plan.

²⁵² Section 4.1.5 of Appendix D of the CAT NMS Plan.

²⁵³ See Sections 3(a)(2)(B)(i)(a)(VIII), 3(a)(2)(B)(i)(b)(VIII), 3(a)(2)(B)(i)(c)(VIII) and 3(a)(2)(B)(i)(d)(VIII) above.

²⁵⁴ *Id.*

²⁵⁵ Section 11.3(b)(iii)(B)(II)(B)(5) of the CAT NMS Plan.

²⁵⁶ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁵⁷ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁵⁸ *Id.*

²⁵⁹ See Section 3(a)(2)(B)(i)(a)(IX) above.

²⁶⁰ See Sections 3(a)(2)(B)(i)(a)(IX), 3(a)(2)(B)(i)(b)(IX), 3(a)(2)(B)(i)(c)(IX) and 3(a)(2)(B)(i)(d)(IX) above.

²⁶¹ *Id.*

²⁶² See Section 3(a)(2)(B)(i)(a)(IX) above.

The professional and administrative costs also include costs related to a third party security assessment of the CAT performed by RSM. The assessment was designed to verify and validate the effective design, implementation and operation of the controls specified by NIST Special Publication 800–53, Revision 4 and related standards and guidelines. Such a security assessment is in line with industry practice and important given the data included in the CAT. CAT LLC determined to engage RSM to perform the security assessment, after considering a variety of factors in its analysis, including the firm's relevant expertise and fees. The fees were reasonable and in line with market rates for such an assessment.²⁶³

(x) Public Relations Costs

In approving the CAT Funding Model, the SEC recognized that it is appropriate to recover public relations costs as a part of Historical CAT Assessments.²⁶⁴ CAT LLC determined that the public relations costs described in this filing are reasonable and should be included as a part of Historical CAT Costs 1. CAT LLC determined that the types of public relations services utilized were beneficial to the CAT and market participants more generally. Public relations services were important for various reasons, including monitoring comments made by market participants about CAT and understanding issues related to the CAT discussed on the public record.²⁶⁵ By engaging a public relations firm, CAT LLC was better positioned to understand and address CAT issues to the benefit of all market participants.²⁶⁶ Moreover, CAT LLC determined that the rates charged for such services were in line with market rates.²⁶⁷ As noted above, the total public relations costs through FAM Period 3 represent a small percentage of Historical CAT Costs 1—that is, 0.1% of Historical CAT Costs 1.

(B) Total Executed Equivalent Share Volume for the Prior 12 Months

The total executed equivalent share volume of transactions in Eligible Securities for the 12-month period from March 2025 through February 2026 was 5,980,937,549,360.49 executed equivalent shares. CAT LLC determined the total executed equivalent share volume for the prior twelve months by

counting executed equivalent shares in the same manner as it will count executed equivalent shares for CAT billing purposes.

(C) Historical Recovery Period 1A

CAT LLC has determined to establish a Historical Recovery Period of 24 months for Historical CAT Assessment 1A and that such length is reasonable. CAT LLC determined that the length of Historical Recovery Period 1A appropriately weighs the need for a reasonable fee rate for Historical CAT Assessment 1A that spreads the Historical CAT Costs over an appropriate amount of time and the need to repay the loans notes to the Participants in a timely fashion. CAT LLC determined that 24 months for Historical Recovery Period 1A would establish a fee rate that is lower than other transaction-based fees, including fees assessed pursuant to Section 31.²⁶⁸ In addition, in establishing a Historical Recovery Period of 24 months, CAT LLC recognized that the total cost for Historical CAT Assessment 1A was less than the total costs for 2022 and 2023, and therefore it would be appropriate to recover those costs in two years.

(D) Projected Executed Equivalent Share Volume for Historical Recovery Period 1A

CAT LLC has determined to calculate the projected total executed equivalent share volume for the 24 months of Historical Recovery Period 1A by doubling the executed equivalent share volume for the prior 12 months. The Operating Committee determined that such an approach was reasonable as the CAT's annual executed equivalent share volume has increased from prior years (e.g., the executed equivalent share volume for 2024 was 4,295,884,600,069.4) and the Operating Committee believes that it is reasonable to conclude that the annual executed equivalent share volume will remain at the higher level. Accordingly, the projected total executed equivalent share volume for Historical Recovery Period 1A is projected to be 11,961,875,098,720.98 executed equivalent shares.²⁶⁹

(E) Actual Fee Rate for Historical CAT Assessment 1A

(i) Decimal Places

As noted in the Plan amendment for the CAT Funding Model, as a practical matter, the fee filing for a Historical CAT Assessment would provide the exact fee per executed equivalent share to be paid for each Historical CAT Assessment, and describe the relevant number of decimal places for the fee rate.²⁷⁰ Accordingly, proposed paragraph (a)(2)(B) of the fee schedule would set forth a fee rate of \$0.000002 per executed equivalent share. CAT LLC determined that the use of six decimal places is reasonable as it balances the accuracy of the calculation with the potential systems and other impracticalities of using additional decimal places in the calculation.

(ii) Reasonable Fee Level

The Exchange believes that imposing Historical CAT Assessment 1A with a fee rate of \$0.000002 per executed equivalent share is reasonable because it provides for a revenue stream for the Company that is aligned with the remaining Historical CAT Costs 1 and such costs would be spread out over an appropriate recovery period, as discussed above. Moreover, the Exchange believes that the level of the fee rate is reasonable, as it is comparable to other transaction-based fees. Indeed, Historical CAT Assessment 1A is significantly lower than fees assessed pursuant to Section 31 (e.g., \$0.00007 per share to \$0.00072 per share),²⁷¹ and, as a result, the magnitude of Historical CAT Assessment 1A is small, and therefore will mitigate any potential adverse economic effects or inefficiencies. Furthermore, the reasonable fee rate for Historical CAT Assessment 1A further supports CAT LLC's decision to seek to recover the costs described herein.

(3) Historical CAT Assessment 1A Provides for an Equitable Allocation of Fees

Historical CAT Assessment 1A provides for an equitable allocation of fees, as it equitably allocates CAT costs between and among the Participants and Industry Members. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act, including the formula for calculating Historical CAT Assessments as well as the Industry Members to be

²⁶³ *Id.*

²⁶⁴ Section 11.3(b)(iii)(B)(II)(B)(6) of the CAT NMS Plan.

²⁶⁵ See Section 3(a)(2)(B)(i)(a)(X) above.

²⁶⁶ See Sections 3(a)(2)(B)(i)(a)(X), 3(a)(2)(B)(i)(b)(X), 3(a)(2)(B)(i)(c)(X) and 3(a)(2)(B)(i)(d)(X) above.

²⁶⁷ *Id.*

²⁶⁸ As the SEC noted in the CAT Funding Model Approval Order, recent Section 31 fees ranged from \$0.00007 per share to \$0.00072 per share. CAT Funding Model Approval Order at 13469.

²⁶⁹ This projection was calculated by multiplying 5,980,937,549,360.49 executed equivalent shares by two.

²⁷⁰ CAT Funding Model Approval Order at 13445, n.677.

²⁷¹ *Id.* at 13469.

charged the Historical CAT Assessments.²⁷² In approving the CAT Funding Model, the SEC stated that “[t]he Participants have sufficiently demonstrated that the proposed allocation of fees is appropriate.”²⁷³ Accordingly, the CAT Funding Model sets forth the requirements for allocating fees related to Historical CAT Costs among Participants and Industry Members, and the fee filings for Historical CAT Assessments must comply with those requirements.

Historical CAT Assessment 1A provides for an equitable allocation of fees as it complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. For example, as described above, the calculation of Historical CAT Assessment 1A complies with the formula set forth in Section 11.3(b) of the CAT NMS Plan. In addition, Historical CAT Assessment 1A would be charged to CEBBs and CEBBs in accordance with Section 11.3(b) of the CAT NMS Plan. Furthermore, the Participants would continue to remain responsible for their designated share of Past CAT Costs through the cancellation of loans made by the Participants to CAT LLC.

In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A—Historical CAT Costs 1 (including Excluded Costs) and the exclusion of costs previously invoiced via Historical CAT Assessment 1, the count for the executed equivalent share volume for the prior 12 months, the length of the Historical Recovery Period, and the projected executed equivalent share volume for the Historical Recovery Period—are reasonable. Moreover, these inputs lead to a reasonable fee rate for Historical CAT Assessment 1A that is lower than other fee rates for transaction-based fees. A reasonable fee rate allocated in accordance with the requirements of the CAT Funding Model provides for an equitable allocation of fees.

(4) Historical CAT Assessment 1A Is Not Unfairly Discriminatory

Historical CAT Assessment 1A is not an unfairly discriminatory fee. The SEC approved the CAT Funding Model, finding that each aspect of the CAT Funding Model satisfied the requirements of the Exchange Act. In reaching this conclusion, the SEC analyzed the potential effect of Historical CAT Assessments calculated

pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Historical CAT Assessment 1A complies with the requirements regarding the calculation of Historical CAT Assessments as set forth in the CAT NMS Plan. In addition, as discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A and the resulting fee rate for Historical CAT Assessment 1A is reasonable. Therefore, Historical CAT Assessment 1A does not impose an unfairly discriminatory fee on Industry Members.

Finally, the Exchange believes the proposed fees established pursuant to the CAT Funding Model promote just and equitable principles of trade, and, in general, protect investors and the public interest, and are provided in a transparent manner and specificity in the fee schedule. The Exchange also believes that the proposed fees are reasonable because they would provide ease of calculation, ease of billing and other administrative functions, and predictability of a fee based on fixed rate per executed equivalent share. Such factors are crucial to estimating a reliable revenue stream for CAT LLC and for permitting Exchange members to reasonably predict their payment obligations for budgeting purposes.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 6(b)(8) of the Act²⁷⁴ requires that the Exchange's rules not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act. The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that Historical CAT Assessment 1A implements provisions of the CAT NMS Plan that were approved by the Commission and is designed to assist the Exchange in meeting its regulatory obligations pursuant to the Plan.

In addition, all Participants (including exchanges and FINRA) are proposing to introduce Historical CAT Assessment 1A on behalf of CAT LLC to implement the requirements of the CAT NMS Plan.

Therefore, this is not a competitive fee filing, and, therefore, it does not raise competition issues between and among the Participants.

Furthermore, in approving the CAT Funding Model, the SEC analyzed the potential competitive impact of the CAT Funding Model, including competitive issues related to market services, trading services and regulatory services, efficiency concerns, and capital formation.²⁷⁵ The SEC also analyzed the potential effect of CAT fees calculated pursuant to the CAT Funding Model on affected categories of market participants, including Participants (including exchanges and FINRA), Industry Members (including subcategories of Industry Members, such as alternative trading systems, CAT Executing Brokers and market makers), and investors generally, and considered market effects related to equities and options, among other things. Based on this analysis, the SEC approved the CAT Funding Model as compliant with the Exchange Act. Historical CAT Assessment 1A is calculated and implemented in accordance with the CAT Funding Model as approved by the SEC.

As discussed above, each of the inputs into the calculation of Historical CAT Assessment 1A is reasonable and the resulting fee rate for Historical CAT Assessment 1A calculated in accordance with the CAT Funding Model is reasonable. Therefore, Historical CAT Assessment 1A would not impose any burden on competition that is not necessary or appropriate in furtherance of the purpose of the Exchange Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(ii) of the Act.²⁷⁶

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act.

²⁷² See Section 11.3(b) of the CAT NMS Plan.

²⁷³ CAT Funding Model Approval Order at 13412.

²⁷⁴ 15 U.S.C. 78f(b)(8).

²⁷⁵ CAT Funding Model Approval Order at 13479–13481.

²⁷⁶ 15 U.S.C. 78s(b)(3)(A)(ii).

If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR–

NasdaqTX–2026–019 on the subject line.

Paper Comments

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090.

All submissions should refer to file number SR–NasdaqTX–2026–019. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<https://www.sec.gov/rules/sro.shtml>). Copies of the filing will be available for inspection and copying at the principal office of the Exchange.

Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to file number SR–NasdaqTX–2026–019 and should be submitted on or before June 5, 2026.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷⁷

J. Matthew DeLesDernier,
Deputy Secretary.

[FR Doc. 2026–09734 Filed 5–14–26; 8:45 am]

BILLING CODE 8011–01–P

²⁷⁷ 17 CFR 200.30–3(a)(12).

Reader Aids

Federal Register

Vol. 91, No. 94

Friday, May 15, 2026

CUSTOMER SERVICE AND INFORMATION

Federal Register/Code of Federal Regulations

General Information, indexes and other finding aids **202-741-6000**

Laws **741-6000**

Presidential Documents

Executive orders and proclamations **741-6000**

The United States Government Manual **741-6000**

Other Services

Electronic and on-line services (voice) **741-6020**

Privacy Act Compilation **741-6050**

ELECTRONIC RESEARCH

World Wide Web

Full text of the daily Federal Register, CFR and other publications is located at: www.govinfo.gov.

Federal Register information and research tools, including Public Inspection List and electronic text are located at: www.federalregister.gov.

E-mail

FEDREGTOC (Daily Federal Register Table of Contents Electronic Mailing List) is an open e-mail service that provides subscribers with a digital form of the Federal Register Table of Contents. The digital form of the Federal Register Table of Contents includes HTML and PDF links to the full text of each document.

To join or leave, go to <https://public.govdelivery.com/accounts/USGPOOFR/subscriber/new>, enter your email address, then follow the instructions to join, leave, or manage your subscription.

PENS (Public Law Electronic Notification Service) is an e-mail service that notifies subscribers of recently enacted laws.

To subscribe, go to <http://listserv.gsa.gov/archives/publaws-l.html> and select *Join or leave the list (or change settings)*; then follow the instructions.

FEDREGTOC and **PENS** are mailing lists only. We cannot respond to specific inquiries.

Reference questions. Send questions and comments about the Federal Register system to: fedreg.info@nara.gov

The Federal Register staff cannot interpret specific documents or regulations.

FEDERAL REGISTER PAGES AND DATE, MAY

23355-23902	1
23903-24114	4
24115-24336	5
24337-24704	6
24705-25072	7
25073-25478	8
25478-25782	11
25783-26892	12
26893-27182	13
27183-27830	14
27831-28406	15

CFR PARTS AFFECTED DURING MAY

At the end of each month the Office of the Federal Register publishes separately a List of CFR Sections Affected (LSA), which lists parts and sections affected by documents published since the revision date of each title.

3 CFR

Proclamations:

11023	24321
11024	24323
11025	25067
11026	25477
11027	26889
11028	26891
11029	27829

Executive Orders:

14402	24325
14403	24329
14404	25061

Administrative Orders:

Notices:

Notice of May 4,
2026 25069

Notice of May 4,
2026 25071

Notice of May 7,
2026 25781

Notice of May 11,
2026 27181

Presidential

Determinations:

No. 2026-13 27177

Presidential Permits:

Permit of April 30,
2026 24333

5 CFR

2419 25073

7 CFR

210 25073

215 25073

220 25073

226 25073

271 25082

278 25082

985 24705

987 26893

Proposed Rules:

330 27868

340 27868

920 25521

1218 26949

8 CFR

103 25479

Proposed Rules:

103 24739

9 CFR

319 23903

10 CFR

150 23355

Proposed Rules:

1 23628, 27870

2 23628, 27870

10 23628, 27870

11 23628, 27870

19 23628, 27870

20 23628, 27870

21 23628, 27870

25 23628, 27870

26 23628, 27870

30 23628, 27870

40 23628, 27870

50 23628, 27870

51 23628, 27870

57 23628, 27870

70 23628, 27870

72 23628, 27870

73 23628, 27870

74 23628, 27870

75 23628, 27870

95 23628, 27870

140 23628, 27870

150 23628, 27870

12 CFR

1002 23530

Proposed Rules:

701 24745

711 24748

713 24745

741 24745

14 CFR

25 24337

27 24339

39 25092, 25096, 25098,

25102, 26895, 26897, 26899,

26901, 26906, 27183, 27185,

27187, 27189, 27193, 27195

71 23356, 23904, 24711,

24712, 25105, 25106, 27198,

27831, 27832

91 25108

97 26909, 26910

125 25108

135 25108

Proposed Rules:

1 24650

39 23377, 23919, 23922,

24752, 24754, 24757, 25809,

26949, 26952, 27871, 27873,

27876, 27878

71 24760, 25155, 25156,

27223

74 24650

91 24650

107 24650

15 CFR

3 23906

16 CFR

1217 27199

1219 23908

17 CFR

Ch. I 27792

2.....25489	478.....24348, 24357	24143, 24146, 24490, 24492,	98.....25796
200.....24115	479.....24348, 24352, 24362,	27881	Proposed Rules:
242.....24115	25112	165.....24147, 24149, 24151,	146.....27140
Proposed Rules:	555.....24364	25840, 26955	1302.....25842
50.....25812	646.....25118	166.....24152	
146.....24377	Proposed Rules:	167.....24152	46 CFR
200.....24968	447.....24387, 24392, 25159		Proposed Rules:
210.....24968	478.....24395, 24400, 24408,	34 CFR	502.....26926
229.....24968	24413, 24424, 24436, 24441,	674.....23768	
230.....24968	24448, 24453, 24462, 25159,	682.....23768	47 CFR
232.....24968	25166, 25187, 25192, 25201,	685.....23768	1.....24731
239.....24968	25210, 25216, 25229, 25237,	Proposed Rules:	2.....27843
240.....24968	25432	75.....24763	25.....26928
249.....24968	479.....24453, 24462, 24466,	36 CFR	Proposed Rules:
260.....24968	24471, 24478, 24485, 25237,	Proposed Rules:	1.....25268, 27884, 27887
	25243	251.....24494	2.....27884
19 CFR	555.....24462		52.....25312
12.....26912	28 CFR	38 CFR	63.....25325
	541.....00000	Proposed Rules:	73.....27887
21 CFR		17.....25256	79.....27895
866.....24341, 24343, 25783	29 CFR	21.....24497	
878.....23357	Proposed Rules:	39 CFR	48 CFR
884.....25109	541.....27833	111.....23369, 27837	223.....24735
886.....24346	2590.....27140	3055.....26922	Proposed Rules:
1308.....23359, 23913, 26913	30 CFR		212.....24783
Proposed Rules:	Proposed Rules:	40 CFR	217.....24783
10.....24380	550.....25255	52.....27205, 27207, 27209,	240.....24783
56.....24380	556.....25255	27211, 27214, 27217	252.....24783
106.....24380	590.....25255	62.....24728, 27219	
201.....24380	944.....24761	180.....26924	49 CFR
251.....24380		751.....24133	40.....25507
310.....24380	31 CFR	Proposed Rules:	243.....27849
312.....24380	Ch. V.....24722	49.....26958	1022.....24135
314.....24380	337.....24366	51.....26958	1241.....25141
329.....24380	345.....24366	52.....24765, 24768, 25257,	1251.....25141
600.....24380	547.....24714	26958, 27224	Proposed Rules:
803.....24380	548.....24714	63.....23382	191.....24154
862.....24380	587.....24715	81.....27224	195.....24154
866.....24380	591.....24716, 24719	257.....23924	245.....27901
870.....24380	594.....24722	260.....25266	246.....27905
882.....24380	599.....24722	261.....25266	367.....23383
1114.....24380		270.....25266	
23 CFR	33 CFR	271.....27229	50 CFR
633.....25492	100.....24116, 24117, 24118,		300.....23369
	24120, 24368, 24724, 25133,	43 CFR	622.....24375
26 CFR	26917, 26919, 27837	1600.....25787	648.....23918, 24737
1.....23915	165.....24117, 24118, 24120,	6100.....25787	660.....23374, 25511
48.....23363	24121, 24124, 24125, 24126	Proposed Rules:	679.....27222
Proposed Rules:	24130, 24131, 24370, 24372,	4.....26852	Proposed Rules:
1.....25158	24373, 24375, 24726, 25135,	1700.....26852	17.....23934
48.....23380, 25158	25137, 25139, 25493, 25495,	4100.....26852	622.....24500
54.....27140	25785, 25786, 26921, 27204		635.....24789
27 CFR	Proposed Rules:	45 CFR	648.....23385, 27234
447.....24348, 24352	100.....24138, 24140, 24142,	84.....25496	665.....23387

LIST OF PUBLIC LAWS

Note: No public bills which have become law were received by the Office of the Federal Register for inclusion

in today's **List of Public Laws**.

Last List May 13, 2026

Public Laws Electronic Notification Service (PENS)

PENS is a free electronic mail notification service of newly

enacted public laws. To subscribe, go to <http://listserv.gsa.gov/archives/publaws-l.html>

Note: This service is strictly for E-mail notification of new laws. The text of laws is not available through this service. **PENS** cannot respond to specific inquiries sent to this address.