



June 22, 2026

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

Re: Concept Release on Consolidated Audit Trail and Other Audit Trails and Data Sources, File No. S7-2026-12, 91 Fed. Reg. 20946 (Apr. 20, 2026).

Dear Ms. Countryman:

Better Markets¹ appreciates the opportunity to comment on the above-referenced concept release.² The concept release solicits input on the Consolidated Audit Trail (CAT), a repository of data about securities transactions that enables the Commission to monitor the securities markets. Better Markets urges the SEC not to dismantle the CAT any more than it already has.

The impetus for the CAT was the 2010 “Flash Crash.” On May 6, 2010, nearly \$1 trillion of stock market value was temporarily lost.³ Some stocks inexplicably plunged to \$1 per share while others skyrocketed to more than \$100,000 per share.⁴ Neither the SEC nor other regulators understood this event, and it took the SEC months to reconstruct what happened, largely because it had neither the tools nor the data to do so.⁵ The SEC determined it required a comprehensive audit trail because it needed greater surveillance and supervision over the financial markets.⁶

The CAT is a tool that collects and identifies “every order, cancellation, modification, and trade execution for all exchange-listed equities and equity options in the U.S. market.”⁷ It

¹ Better Markets is a non-profit, non-partisan, and independent organization founded in the wake of the 2008 financial crisis to promote the public interest in the financial markets, support the financial reform of Wall Street, and make our financial system work for all Americans again. Better Markets works with allies—including many in finance—to promote pro-market, pro-business, and pro-growth policies that help build a stronger, safer financial system that protects and promotes Americans’ jobs, savings, retirements, and more.

² 91 Fed. Reg. 20,946 (Apr. 20, 2026).

³ Better Markets, *Where’s the CAT?* (Feb. 16, 2021), <https://bettermarkets.org/newsroom/where-is-the-cat/>.

⁴ Lev Bagramian, *Flash Crash Anniversary a Reminder of Why We Need CAT and Why the SEC Should Flex Its Muscle to End Industry Procrastination*, Better Markets (May 4, 2018), <https://bettermarkets.org/newsroom/flash-crash-anniversary-reminder-why-we-need-cat-and-why-sec/>.

⁵ Better Markets, *supra* note 3.

⁶ Jessica Erickson, *Automating Securities Class Action Settlements*, 72 Vand. L. Rev. 1817, 1854 (2019).

⁷ Edwin Batista, *A Shot in the Dark: An Analysis of the SEC’s Response to the Rise of Dark Pools*, 14 J. High. Tech. L. 83 (2014); *see also* Erickson, 72 Vand. L. Rev. at 1854 (stating that the CAT “will soon allow regulators to track all securities activity in the U.S. financial markets”).

allows the SEC to accurately track orders throughout their lifecycle and identify the broker-dealers handling them, which provides the SEC “with an unprecedented ability to effectively oversee the markets” it regulates.⁸ Although this data already existed at broker-dealers and self-regulatory organizations like FINRA, the lack of a single repository prevented the SEC from tracking trades in real time and seeing the market as a whole. The CAT therefore allows the SEC to protect investors from not only events like the Flash Crash but also predatory trading activities and other types of misconduct.⁹ The concept release itself recognizes the value of the CAT:

The CAT is intended to furnish both the Commission and the SROs with timely access to a comprehensive, uniform, accurate, and linked set of trading data that allows them to efficiently retrieve relevant information about the full lifecycle of all orders.¹⁰

For these reasons, the SEC must not kill the CAT. Without the CAT, it will be easier for financial firms to break the law and harder for the SEC to oversee the securities markets. This is especially so since FINRA retired its prior order tracking system after determining that the CAT was accurate and reliable.¹¹ So eliminating the CAT would leave regulators blind. The SEC should ensure that it has the tools to safeguard the investors whom it exists to protect.¹²

I. The CAT enables the SEC to identify misconduct and police the markets.

The SEC has identified misconduct that it would not have been able to uncover without the CAT. The CAT did not become fully operational until recently. Yet in just the last few years, the SEC has touted the CAT’s effectiveness as a law enforcement tool.

For example, the SEC charged Lawrence Billimek, an employee of a major asset management firm, and Alan Williams, who previously worked at several financial firms, with perpetrating a front-running scheme that generated at least \$47 million in illegal trading profits.¹³ Billimek would inform Williams of the asset management firm’s market-moving trades prior to their execution.¹⁴ That same day, Williams would trade in the same securities

⁸ Chairman Mary L. Schapiro, [Opening Statement at SEC Open Meeting: Consolidated Audit Trail](#) (July 1, 2012).

⁹ Better Markets, *The Consolidated Audit Trail is a long overdue transparency and accountability measure to protect investors and the integrity of the U.S. securities markets* (Feb. 16, 2021), https://bettermarkets.org/sites/default/files/documents/Better_Markets_CAT_Fact_Sheet_02-16-2021.pdf.

¹⁰ 91 Fed. Reg. at 20,949.

¹¹ Regulatory Notice 21-21, *FINRA Eliminates the Order Audit Trail System (OATS) Rules* (June 17, 2021), <https://www.finra.org/rules-guidance/notices/21-21>.

¹² See Benjamin Schiffrin, *The SEC Must Not Kill The CAT*, Better Markets (Oct. 1, 2025), <https://bettermarkets.org/analysis/the-sec-must-not-kill-the-cat/>.

¹³ Press Release, *SEC Charges Financial Services Professional and Associate in \$47 Million Front-Running Scheme* (Dec. 14, 2022), <https://www.sec.gov/newsroom/press-releases/2022-228>.

¹⁴ *Id.*

prior to Billimek's employer or while the employer was placing multiple large orders.¹⁵ Williams would close his positions after the price of the security moved as expected.¹⁶ The press release announcing the charges stated that SEC staff "analyzed trading using the Consolidated Audit Trail (CAT) database to uncover Williams' allegedly fraudulent trading and to identify how he profited by repeatedly front-running trades by Billimek's employer."¹⁷

Similarly, the SEC charged Zachary Stevenson with perpetrating a fraudulent spoofing scheme that netted him over \$380,000 in profits.¹⁸ Stevenson manipulated the price of securities to generate quick trading profits by placing and then canceling orders.¹⁹ He established long or short positions in various thinly-traded securities and then, minutes later, placed one or more limit orders that he did not intend to execute in those securities to move the price.²⁰ After his non-bona fide orders moved the price, Stevenson exited his position in those securities for a profit, and then canceled the non-bona fide orders.²¹ To avoid detection of his scheme, Stevenson sometimes used multiple brokerage accounts, including accounts at different broker-dealers or accounts opened in the names of others.²² The SEC's press release announcing the charges stated that SEC staff "analyzed trading records in the Consolidated Audit Trail (CAT) database to uncover Stevenson's fraudulent scheme."²³

As another example, the SEC charged Justin Chen and Jun Zhen with insider trading.²⁴ Chen and Zhen worked for a company that assisted clients with public filings, and they traded in the stocks of their employer's clients.²⁵ They obtained material nonpublic information about the clients' mergers and earnings through their employment.²⁶ Chen and Zhen traded on the basis of the material nonpublic information on at least 13 occasions and generated over \$2 million in profits.²⁷ The release announcing the charges said that the SEC "used Consolidated Audit Trail (CAT) data to analyze Chen and Zhen's suspicious trading activity."²⁸

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Press Release, *SEC Charges Florida Man for Manipulative Trading Scheme* (Dec. 13, 2024), <https://www.sec.gov/enforcement-litigation/administrative-proceedings/33-11340-s>.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

²⁴ Litigation Release, *SEC Charges Two Brooklyn Men with \$2 Million Insider Trading Scheme* (Aug. 18, 2025), <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-26380>.

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

The SEC notes that it has other ways to obtain information about securities trades. But the point of the CAT was a database that would put the information necessary for the SEC to effectively police the securities markets and identify lawbreakers at its fingertips. The SEC should not revert to a system that requires it to request trading records and to a time when “determining who made a trade and at what time [was] a cumbersome process for the SEC.”²⁹

The SEC also acknowledges that, absent the CAT, it would face blind spots. The electronic blue sheet (EBS) system “does not contain information on orders or quotes, and thus does not contain information on routes, modifications, and cancellations;” this means it would be harder for the SEC “to investigate various forms of potential market manipulation like layering and spoofing.”³⁰ And other data feeds “do not provide a comprehensive, cross-market audit trail that would enable regulators to track an order through its entire lifecycle, from order origination through routing and on to execution, modification, or cancellation.”³¹

The SEC should not hamstring its own ability to police the markets it regulates by curtailing one of the most effective tools that it has for rooting out misconduct.

II. The criticisms of the CAT do not justify curtailing its effectiveness.

A. The costs of the CAT pale in comparison to the size of the securities market.

The concept release notes that the costs of the CAT exceeded \$248 million in its 2025 budget. Although the SEC has taken steps to reduce these costs such that the CAT’s approved budget for 2026 is \$156 million, the concept release states that “the costs of operating the CAT remain significantly higher” than the SEC originally estimated them to be when it first approved the CAT in 2016.³² The SEC seeks feedback regarding “changes that could be made to the design and scope of the CAT to make it more efficient and cost-effective.”³³

Better Markets supports a more efficient and cost-effective CAT, but not at the expense of investor protection. The SEC itself notes that the reason the CAT’s costs have increased is that markets “have experienced much higher volumes and more trading activity than the Commission anticipated in 2016.”³⁴ The fact that there has been more market activity than the SEC anticipated in 2016 is a reason to bolster, not to weaken, the CAT. Indeed, the SEC noted that

²⁹ Hayden C. Holliman, *The Consolidated Audit Trail: An Overreaction to the Danger of Flash Crashes from High Frequency Trading*, 19 N.C. Banking Inst. 135, 156 (2015).

³⁰ 91 Fed. Reg. at 20,950.

³¹ *Id.*

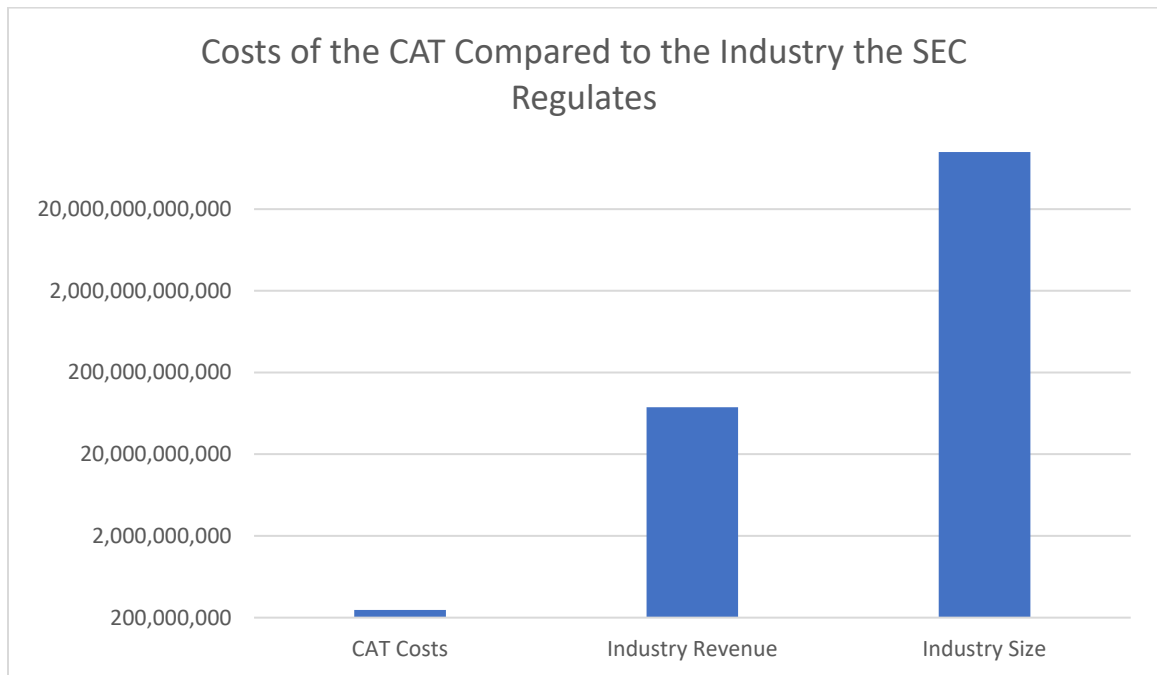
³² *Id.* at 20,955.

³³ *Id.*

³⁴ *Id.* at 20,948.

recently “trading venues have also pushed to extend trading hours, which could further increase trading volumes.”³⁵ Increasing trading volumes only heightens the importance of the CAT.

The size of the securities markets and the volume of trading also belie the notion that the CAT is not cost effective. The costs of the CAT pale in comparison to the market the SEC regulates. The securities industry earned pre-tax net income of over \$75 billion in 2024.³⁶ And the SEC is responsible for overseeing capital markets that exceed \$100 trillion in size.³⁷ So the costs of the CAT are a tiny fraction of what the industry earns and how much trading there is.



The costs of the CAT also pale in comparison to the losses investors suffer from securities fraud. The United States Sentencing Commission reported that 202 cases involved securities and investment fraud in 2025, and that the median loss for these offenses was \$3,741,264.³⁸ The average loss was likely greater, as it also reported that over 30% of the cases involved loss amounts greater than \$9,500,000.³⁹ Nonetheless, using the \$3,741,264 as a representative loss, the total cumulative loss from these cases would be more than \$750 million. And that is just for the small percentage of securities and investment frauds that result in a criminal prosecution and

³⁵ *Id.*

³⁶ SIFMA, *Capital Markets Fact Book* (July 28, 2025), <https://www.sifma.org/research/statistics/fact-book>.

³⁷ Eva Su, *Capital Markets and Securities Regulation: Overview and Policy Issues*, Congressional Research Service (May 2, 2025), <https://www.congress.gov/crs-product/R48521>.

³⁸ *QuickFacts: Securities and Investment Fraud*, United States Sentencing Commission, https://www.ussc.gov/sites/default/files/pdf/research-and-publications/quick-facts/Securities_Fraud_FY25.pdf.

³⁹ *Id.*

sentence. In this light, \$250 million is a fraction of the cost to investors from securities fraud and a relatively small price to pay to protect investors and enable the SEC to uncover misconduct.

B. The CAT does not violate the Fourth Amendment.

The concept release state that market participants “have questioned whether the scope of the CAT’s collection of market data raises privacy and civil liberties concerns.”⁴⁰ It cites one commenter’s assertion that the CAT’s collection of personally identifiable information violates the Fourth Amendment.⁴¹ The CAT’s collection of information about securities transactions does not violate the Fourth Amendment’s proscription against unreasonable searches and seizures:

In *Katz v. United States*, the Supreme Court held that the Fourth Amendment protects individuals’ privacy from government intrusion if that individual (i) has a subjective expectation of privacy and (ii) that expectation is one that society is prepared to recognize as reasonable. The third-party doctrine, first articulated in *United States v. Miller* as a corollary to the *Katz* test, asserts that people have no reasonable expectation of privacy in information that they voluntarily turned over to third parties.

The investor information collected by the CAT NMS LLC is analogous to the bank records at issue in *Miller*, so the third-party doctrine defeats the plaintiffs’ claims. In *Miller*, the Supreme Court held that the defendant had no reasonable expectation of privacy in his bank records because he voluntarily disclosed that information to a third party—the bank. The investor information CAT collects are financial records that are not any more sensitive than an individual’s bank records. In addition, investors must voluntarily disclose their order information to a broker/stock exchange in order to make the order. . . . [T]he investor information in the CAT repository must be publicly disclosed to exchanges and brokers every time an investor makes a trade in the covered securities. The parallels between the information the CAT collects and the information at issue in *Miller* thus suggests that the third-party doctrine applies to the CAT as well.⁴²

C. Cybersecurity and privacy concerns do not justify weakening the CAT.

The SEC seeks comment on the security requirements governing the CAT in light of the “constantly shifting cybersecurity and threat management landscape.”⁴³ Yet the SEC acknowledges that the CAT includes “robust requirements designed to protect the data reported

⁴⁰ 91 Fed. Reg. at 20,964.

⁴¹ *Id.*

⁴² Shane Rooney, *Fourth Amendment Challenges to the Consolidated Audit Trail*, Colum. Bus. L. Rev. (Nov. 12, 2024), <https://journals.library.columbia.edu/index.php/CBLR/announcement/view/735>.

⁴³ 91 Fed. Reg. at 20,965.

to and retained in” the database.”⁴⁴ Cybersecurity and privacy concerns should not be used as a pretext to reduce the amount of information the CAT collects and diminish its effectiveness.⁴⁵

The SEC has already reduced the amount of customer identifying information in the CAT, which will make the SEC’s job of identifying lawbreakers harder. In doing so, the SEC acknowledged that the CAT could address the cybersecurity and privacy concerns that spurred the changes by implementing “additional encryption and enhanced security measures to proactively identify and mitigate vulnerabilities and prevent future data leaks.”⁴⁶ The SEC rejected this approach because it could be costly to the industry.⁴⁷ As it considers the future of the CAT, the SEC should not prioritize the profits of the industry over investor protection. The SEC should ensure that the CAT is subject to cybersecurity standards that allow it to retain the information the SEC needs to police the securities markets while also safeguarding privacy.

There is no question that the SEC must ensure the safety of the personal information in the CAT. But legitimate privacy concerns can be addressed in ways that do not needlessly prevent the SEC from policing the markets and that increase the chances of lawbreakers escaping detection.⁴⁸ And removing information from the CAT due to cybersecurity or privacy concerns would do little to safeguard customers’ personal information. That is because if bad actors “wanted to hack this personal information, [they] could do it through the checking accounts, credit card accounts, or brokerage accounts of [the] Wall Street banks that are placing the retail trades.”⁴⁹ The CAT is a repository of data, but the data is also available elsewhere, so reducing the information in the CAT makes the SEC’s job of obtaining and using that information in a timely fashion more difficult but does nothing to eliminate the threat that cyberattacks pose.

Conclusion

The SEC has already taken a series of actions recently that will weaken if not kill the CAT’s effectiveness: eliminating the requirement that the CAT collect and retain customers’ names, addresses, and years of birth; relieving market participants of the need to create certain records and maintain some data in the CAT; and deleting all data older than three years from the

⁴⁴ *Id.* at 20,964.

⁴⁵ Press Release, *SEC Anti-Investor Crusade Continues: Weakening CAT Handcuffs the SEC and Lets More Financial Lawbreakers Get Away*, Better Markets (Jan. 14, 2026), <https://bettermarkets.org/newsroom/sec-anti-investor-crusade-continues-weakening-cat-handcuffs-the-sec-and-lets-more-financial-lawbreakers-get-away/>.

⁴⁶ <https://www.sec.gov/files/rules/sro/nms/2026/34-104586.pdf>, at 40.

⁴⁷ *Id.*

⁴⁸ Press Release, *SEC Handcuffs Itself, Not the Crooks in CAT Cutbacks, Needlessly Endangering Investors*, Better Markets (Feb. 11, 2025), <https://bettermarkets.org/newsroom/sec-handcuffs-itself-not-the-crooks-in-cat-cutbacks-needlessly-endangering-investors/>.

⁴⁹ Pam Martens and Russ Martens, *Wall Street’s Trading Secrets: This U.S. Senator Wants to Keep You in the Dark*, Wall Street on Parade (Sept. 4, 2019), <https://wallstreetonparade.com/2019/09/wall-streets-trading-secrets-this-u-s-senator-wants-to-keep-you-in-the-dark/>.

CAT, even though the statute of limitations for securities fraud is generally five years.⁵⁰ These actions threaten investor protection by making it harder for the SEC to uncover securities law violations, identify the lawbreakers, and bring the perpetrators to justice. An SEC that exists to protect investors should go no further in weakening the CAT and should instead bolster it.

We hope these comments are helpful as the Commission considers this matter.

Sincerely,

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⁵⁰ Press Release, *The SEC's Anti-Investor Attack on the CAT Disarms the Cops on the Wall Street Beat*, Better Markets (Mar. 30, 2026), <https://bettermarkets.org/newsroom/the-secs-anti-investor-attack-on-the-cat-disarms-the-cops-on-the-wall-street-beat/>.