to benefit all Americans and ensure economic and national security?

b. What are the key challenges in translating research findings into commercially viable manufacturing processes and products, and how can they be overcome?

6. a. What are the main challenges in attracting, training, and retaining a skilled workforce for advanced manufacturing, and how can they be addressed?

b. How can Federal agencies and federally-funded R&D centers develop, align, and strengthen all levels of advanced manufacturing training, certification, registered apprenticeships, and credentialing programs?

7. a. In what ways can the Federal government assist in the development of advanced manufacturing clusters and technology hubs nationwide, beyond funding needs?

b. Is there a need for new or expanded advanced manufacturing clusters or technology hubs for the competitiveness of U.S. manufacturers, and if so, in what sectors or technologies?

c. Should Federal incentives prioritize industry-specific advanced manufacturing clusters or instead focus on technology hubs centered on advanced technologies, critical components, and materials? If so, why?

8. a. What are the primary vulnerabilities and weaknesses within the current domestic supply chains?

b. What programs and policies need to be implemented to develop and re-shore a resilient domestic advanced manufacturing supply chain and industrial base?

9. a. What are the biggest obstacles faced by small and medium-sized manufacturing companies in adopting advanced technologies to increase efficiency and productivity?

b. How can Federal agencies assist these companies in adopting advanced technologies and participating in the establishment of robust and resilient domestic manufacturing supply chains?

10. What are examples of public-private partnership models (at the international, national, state, and/or local level) that could be expanded to facilitate manufacturing technology development, technology transition to market, and workforce development?

11. The current 2022–2026 National Strategy for Advanced Manufacturing has three top-level goals, each with objectives and priorities: (1) Develop and implement advanced manufacturing technologies; (2) Grow the advanced manufacturing workforce; and (3) Build resilience into manufacturing supply chains and ecosystems.

a. Are these goals appropriate for the next 4–5 years? Why or why not?

b. What emerging needs or opportunities might require the addition of new top-level goals, and why?

12. Is there any additional information related to advanced manufacturing in the United States, not requested above, that you believe should be considered? If so, describe.

Dated: June 17, 2025.

Stacy Murphy,

Deputy Chief Operations Officer/Security Officer.

[FR Doc. 2025–11379 Filed 6–18–25; 8:45 am]

BILLING CODE 3270–F1–P

SECURITIES AND EXCHANGE COMMISSION

Sunshine Act Meetings

TIME AND DATE: 2 p.m. on Thursday, June 26, 2025.

PLACE: The meeting will be held via remote means and at the Commission's headquarters, 100 F Street NE, Washington, DC 20549.

STATUS: This meeting will be closed to the public.

MATTERS TO BE CONSIDERED: Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters also may be present.

In the event that the time, date, or location of this meeting changes, an announcement of the change, along with the new time, date, and/or place of the meeting will be posted on the Commission's website at *https://www.sec.gov.*

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c)(3), (5), (6), (7), (8), 9(B) and (10) and 17 CFR 200.402(a)(3), (a)(5), (a)(6), (a)(7), (a)(8), (a)(9)(ii) and (a)(10), permit consideration of the scheduled matters at the closed meeting.

The subject matter of the closed meeting will consist of the following topics:

Institution and settlement of injunctive actions;

Institution and settlement of administrative proceedings;

Resolution of litigation claims; and

Other matters relating to examinations and enforcement proceedings.

At times, changes in Commission priorities require alterations in the scheduling of meeting agenda items that may consist of adjudicatory, examination, litigation, or regulatory matters.

CONTACT PERSON FOR MORE INFORMATION: For further information, please contact Vanessa A. Countryman from the Office of the Secretary at (202) 551–5400.

(Authority: 5 U.S.C. 552b)

Dated: June 17, 2025.

Vanessa A. Countryman,

Secretary.

[FR Doc. 2025–11398 Filed 6–17–25; 4:15 pm]

BILLING CODE 8011–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–103275; File No. 4–698]

Joint Industry Plan; Order Approving an Amendment to the National Market System Plan Governing the Consolidated Audit Trail, as Modified by the Commission, Regarding the Reporting of Certain Verbal Activity, Floor and Upstairs Activity

June 16, 2025.

I. Introduction

On August 2, 2024, Consolidated Audit Trail, LLC (''CAT LLC''), on behalf of the following parties to the National Market System Plan Governing the Consolidated Audit Trail (the ''CAT NMS Plan'' or ''Plan''): [1] BOX Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe C2 Exchange, Inc., Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc., Investors Exchange LLC, Long-Term Stock Exchange, Inc., MEMX, LLC, Miami International Securities Exchange LLC, MIAX Emerald, LLC, MIAX PEARL, LLC, Nasdaq BX, Inc., Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq MRX, LLC, Nasdaq PHLX LLC, The NASDAQ Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Chicago, Inc., and NYSE National, Inc. (collectively, the ''Participants,'' ''self-regulatory organizations,'' or ''SROs'') filed with the Securities and Exchange Commission (''SEC'' or ''Commission'') pursuant to Section 11A(a)(3) of the Securities Exchange Act of 1934

[1] The CAT NMS Plan is a national market system plan approved by the Commission pursuant to Section 11A of the Exchange Act and the rules and regulations thereunder. *See* Securities Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016). The latest version of the CAT NMS Plan is available at *https://catnmsplan.com/about-cat/cat-nms-plan.*

(''Exchange Act''),[2] and Rule 608 of Regulation NMS,[3] a proposed amendment (''Proposed Amendment'') to the CAT NMS Plan to amend existing requirements for the consolidated audit trail (''CAT'') regarding the reporting of certain verbal activity, floor and upstairs[4] activity (the ''Verbal Quotes Amendment''). The Proposed Amendment was published for comment in the **Federal Register** on August 20, 2024.[5] On November 18, 2024, the Commission instituted proceedings to determine whether to disapprove the Proposed Amendment or to approve the Proposed Amendment with any changes or subject to any conditions the Commission deems necessary or appropriate.[6] On February 12, 2025, the Commission designated a longer period within which to conclude proceedings regarding the Proposed Amendment.[7] On April 17, 2025, the Commission extended the period within which to conclude proceedings regarding the Proposed Amendment to June 16, 2025.[8] This order approves the Proposed Amendment, as modified herein, with such changes the Commission deems necessary or appropriate, which are described in detail below. For the reasons discussed below, the Commission finds that the Proposed Amendment, as modified, is 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 Exchange Act. A copy of the Proposed Amendment, marked to reflect the modifications the Commission has made, is attached in Appendix A to this order.

II. Background

Rule 613(j)(9) of Regulation NMS and Section 1.1 of the CAT NMS Plan define the term ''reportable event'' as including, but not limited to, the original receipt or origination, modification, cancellation, routing, and execution (in whole or in part) of an order, and receipt of a routed order.[9] The term ''order'' is defined in Rule 613(j)(8) of Regulation NMS and Section 1.1 of the CAT NMS Plan as including: (i) any order received by a member of a national securities exchange or national securities association from any person; (ii) any order originated by a member of a national securities exchange or national securities association; or (iii) any bid or offer.[10] ''Bid or offer'' is defined in Rule 600(b)(16) of Regulation NMS as the bid price or the offer price communicated by a member of a national securities exchange or a member of a national securities association to any broker-dealer, or to any customer, at which it is willing to buy or sell one or more round lots of an NMS security, as principal or agent, but excluding indications of interest.[11] Rule 613 and the CAT NMS Plan both require that the Industry Members and the Participants record and report certain details for quotes[12] and orders that meet the definition of order and CAT reportable event.[13]

On November 12, 2020, pursuant to Section 36(a)(1) of the Exchange Act,[14] and Rule 608(e) of the Exchange Act,[15] the Commission granted the Participants an exemption, until July 31, 2023, from the requirement in Section 6.4(d) of the CAT NMS Plan that requires each Participant, through its Compliance Rule, to require its Industry Members to record and electronically report to the Central Repository: (1) Floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders; (2) market maker verbal announcements of firm quotes on an exchange trading floor; (3) telephone discussions between an Industry Member and a client that may involve firm bid and offer communications; and (4) unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (*e.g.,* electronic chats, text messages) (the foregoing (1)–(4), collectively, the ''Exempt Activities''), subject to certain conditions.[16] On July 28, 2023 pursuant to Section 36(a)(1) of the Exchange Act,[17] and Rule 608(e) of the Exchange Act,[18] the Commission granted the Participants further temporary exemptive relief for the reporting of the Exempt Activities, until July 31, 2026, subject to certain conditions.[19]

III. Description of the Proposal

CAT LLC proposes to amend the CAT NMS Plan to permanently exclude the Exempt Activities from reporting to the Central Repository. Specifically, CAT LLC proposes to amend Article VI, Section 6.3 of the CAT NMS Plan to add a new subsection 6.3(g) which would state that, notwithstanding any other provision of SEC Rule 613 or the CAT NMS Plan, the following categories of data shall not be reportable to the Central Repository under Section 6.3(d): (i) floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders; (ii) market maker verbal announcements of firm quotes on an exchange trading floor; (iii) telephone discussions between an Industry Member and a client that may involve firm bid and offer communications; and (iv) unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (*e.g.,* electronic chats, text messages). In addition, both Section 6.3(d), relating to Participant reporting requirements, and Section 6.4(d)(i), relating to Industry Member reporting requirements, would be amended to reference the exclusions outlined in Section 6.3(g).

CAT LLC states that the Verbal Quotes Amendment is intended to have an effect similar to permanent incorporation into the CAT NMS Plan of

[2] 15 U.S.C. 78k–1(a)(3) (stating that the Commission is authorized to, among other things, ''by rule or order, to authorize or require self-regulatory organizations to act jointly with respect to matters as to which they share authority under this chapter in planning, developing, operating, or regulating a national market system (or a subsystem thereof) or one or more facilities thereof'').

[3] 17 CFR 242.608.

[4] ''Upstairs'' is a term used to describe the off-exchange market. For example, trading that occurs within a broker-dealer firm or between two broker-dealers in the over-the-counter market would be described as occurring ''upstairs.''

[5] *See* Notice of Filing of Amendment to the National Market System Plan Governing the Consolidated Audit Trail, Exchange Act Release No. 100727 (Aug. 14, 2024), 89 FR 67499 (''Notice''). Comments received in response to the Notice can be found on the Commission's website at *https://www.sec.gov/comments/4-698/4-698-e.htm.*

[6] *See* Exchange Act Release No. 101648, 89 FR 92726 (Nov. 22, 2024).

[7] *See* Exchange Act Release No. 102404, 90 FR 9941 (Feb. 19, 2025).

[8] *See* Exchange Act Release No. 102882, 90 FR 16902 (Apr. 22, 2025).

[9] 17 CFR 242.613(j)(9); CAT NMS Plan, Section 1.1.

[10] 17 CFR 242.613(j)(8); CAT NMS Plan, Section 1.1 (stating that ''Order'' or ''order'' has, ''with respect to Eligible Securities, the meaning set forth in SEC Rule 613(j)(8).'').

[11] 17 CFR 242.600(b)(16).

[12] Quotation is defined in Rule 600(b)(86) of Regulation NMS to mean a bid or an offer. 17 CFR 242.600(b)(86).

[13] *See* CAT NMS Plan, *supra* note 1, at Section 6.3(d) and.6.4(d). Many unstructured verbal or manual communications on exchange floors and ''upstairs'' are reportable events under Rule 613 and the CAT NMS Plan because firm verbal quotes and orders, whether they occur on an exchange floor or ''upstairs,'' are reportable to CAT if they are a firm bid or offer. *See* Securities Exchange Act Release No. 90405 (Nov. 12, 2020), 85 FR 73544, 73546–547 (Nov. 18, 2020) (''November 2020 Exemptive Order'').

[14] 15 U.S.C. 78mm(a)(1).

[15] 17 CFR 242.608(e).

[16] *See* November 2020 Exemptive Order, *supra* note 13.

[17] 15 U.S.C. 78mm(a)(1).

[18] 17 CFR 242.608(e).

[19] Securities Exchange Act Release No. 98023, 88 FR 51369 (Aug. 3, 2023) (the ''July 2023 Exemptive Order'').

the existing Commission-approved temporary exemptive relief within the July 2023 Exemptive Order, without the added conditions to relief.[20] CAT LLC states that the Verbal Quotes Amendment is not intended to affect activity that is currently reported to CAT or to otherwise modify the categories in the July 2023 Exemptive Order.[21]

CAT LLC states that the Verbal Quotes Amendment is merited because of the impact on overall CAT costs of requiring reporting of the Exempt Activities.[22] CAT LLC states that Industry Members would be required to hire additional staff and to update their technology systems to manually capture and report the Exempt Activities to the CAT, which Industry Members estimate would cost the industry a total of more than $4.4 billion per year.[23] With respect to Participant reporting, CAT LLC states that $64.35 million to $112.86 million per year would be required to designate a full-time equivalent for each floor broker and floor-based market maker with an additional one-time cost of $20 million to $30 million on top of direct personnel costs to build the additional space required to support the increased number of personnel performing the manual reviews because the relevant exchanges do not currently have room for the additional staff to be present on the exchange floor.[24] CAT LLC further states that the Verbal Quotes Amendment is appropriate because it is technologically infeasible to reliably, accurately, and consistently collect and report data concerning the Exempt Activities without human intervention.[25]

CAT LLC also states that no technological developments have occurred that would make reporting the Exempt Activities cost-effective.[26] CAT LLC states that the Commission's original November 2020 Exemptive Order was premised on the Commission's belief that future technological breakthroughs in artificial intelligence would make collecting information concerning the Exempt Activities more feasible by the time the temporary exemptive relief expires.[27] CAT LLC states that market participants are exploring how recent advancements in artificial intelligence, including machine learning, natural language processing, and voice recognition technology, may be used in various business functions, but that a number of Industry Members have conducted internal analyses and concluded that there is currently no artificial intelligence software or algorithm with a feasible architecture to accurately capture and report the Exempt Activities to the CAT in an automated manner.[28] CAT LLC states that, given that the technology has not developed in the four years since the original November 2020 Exemptive Order, it is exceedingly unlikely that it will develop to a usable point over the next two years.[29] Moreover, because there is no existing technological solution, CAT LLC states that reporting the Exempt Activities would require substantial human intervention, which would also add significantly to the costs.[30] Specifically, CAT LLC states that the only way for the Participants and Industry Members to report the Exempt Activities to the CAT would be to manually capture these events by requiring a human being to listen to every verbal interaction of every floor broker, market maker, or upstairs trader either live or from tape, and/or to sift through electronic communications to determine if and precisely when a quote was given and whether it was firm.[31] CAT LLC further states that reporting the Exempt Activities would also disrupt trading and reduce the benefits of floor trading because of the added burdens it would impose on open outcry bidding and offering, which would ultimately be to the detriment of investors. CAT LLC further states that the difficulty in capturing and reporting verbal and unstructured electronic activities will give firms and markets an incentive to use indications of interest that are not reportable to CAT rather than firm orders or bids or offers and that the CAT was intended to enhance audit trails for regulators, not impact how Industry Members source market liquidity and trade.[32]

CAT LLC states that the reporting of Exempt Activities would not provide enough value from a regulatory or surveillance perspective to outweigh their substantial costs.[33] CAT LLC states that on all exchanges with floor trading, every order must be systematized upon receipt by the floor broker on the floor of the exchange and is reportable to the CAT.[34] CAT LLC states that an order is ''systematized'' when (A) the order is sent electronically to the floor broker's system at the exchange; or (B) the order is manually systematized by the floor broker upon receipt outside of the floor broker's system and prior to representation in the floor trading crowd.[35] CAT LLC states that to the extent a floor broker is not holding a systematized order, the floor broker is not eligible to represent any firm bid or offer, or to request firm quotes from in-crowd market participants on the floor of an exchange. CAT LLC states that therefore all firm bids or offers represented by a floor broker must be associated with orders that have already been systematized.[36] CAT LLC states that because the Participants require that any firm verbal interest expressed by a floor broker must be related to a CAT reportable systematized order, and any resulting trade must be reported to CAT, all verbal interest expressed by a floor broker that may be a CAT Reportable Event is already reported to CAT.[37] In addition, CAT LLC states that any cancellation or change to an order transmitted to an exchange floor broker must occur within the systematized order record.[38] CAT LLC states that therefore every order verbalized on an exchange floor by a floor broker has already been systematized, and that systematization is already reportable to the CAT. CAT LLC further states that, likewise, with respect to upstairs activity, manual orders (including any orders following from indications of interest) are already reportable to the CAT and trades, whether occurring on an exchange floor or off-floor, are also already reportable to the CAT. CAT LLC states that the additional information that would be associated with the Exempt Activities does not need to be captured to allow for effective

[20] *See id.* The July 2023 Exemptive Order conditioned relief on the Participants providing the Commission a written status update on the reporting of these quotes and orders by July 31, 2025, including, for both verbal activity on exchange floors and upstairs activity separately, an analysis of the feasibility of traders contemporaneously recording firm bid and offer information for verbal and manual quotes and orders, and an implementation plan for the reporting of these quotes and orders. *See* July 2023 Exemptive Order, 88 FR at 51370–71.

[21] *See* Notice, at 67501.

[22] *See id.*

[23] *See id.* at 67502. A letter cited by CAT LLC provides additional detail on these estimates. *See* Letter from Howard Meyerson, Managing Director, Financial Information Forum, at 20 (Dec. 16, 2022) (''December 2022 FIF Letter'').

[24] *See* Notice, at 67501.

[25] *See id.*

[26] *See id.* at 67502–03.

[27] *See id.* at 67501.

[28] *See id.* at 67501–02 (citing December 2022 FIF Letter, at 5).

[29] *See id.* at 67502.

[30] *See id.* at 67502–03.

[31] *See id.* at 67502.

[32] *See id.* at 67503.

[33] *See id.*

[34] *See id.*

[35] *See id.*

[36] *See id.*

[37] *See id.*

[38] *See id.*

surveillance and regulation of exchange floor activity.[39]

CAT LLC states therefore that the ultimate regulatory value-add of expanding the existing CAT reporting to include the Exempt Activities is minimal given the scope of the data associated with the Exempt Activities that is already reported.[40] CAT LLC further states that communications related to the Exempt Activities do not lend themselves to the types of market manipulation considered in the adoption of Rule 613 because such communications are not widely disseminated.[41] CAT LLC states that any small incremental value added for regulatory purposes would be significantly outweighed by costs imposed on Industry Members, their customers, and the Participants, as well as the disruption to trading on Participant trading floors.[42] In addition, CAT LLC states that it is focused on identifying changes to the CAT NMS Plan that would reduce overall CAT costs, and requiring the Exempt Activities to be reported directly conflicts with those cost-saving efforts.[43]

IV. Discussion

A. The Applicable Standard of Review

Rule 608(a) of Regulation NMS states that any two or more self-regulatory organizations, acting jointly, may file a national market system plan or may propose an amendment to an effective national market system plan by submitting the text of the plan or amendment to the Commission by email, together with a statement of the purpose of such plan or amendment and, to the extent applicable, the documents and information required by paragraphs (a)(4) and (5) of Rule 608.[44] Under Rule 608(b)(2) of Regulation NMS, the Commission shall approve a national market system plan or proposed amendment to an effective national market system plan, with such changes or subject to such conditions as the Commission may deem necessary or appropriate, if it finds that such plan or amendment is necessary or 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 mechanisms of, a national market system, or otherwise in furtherance of the purposes of the Exchange Act.[45] The Commission shall disapprove a national market system plan or proposed amendment if it does not make such a finding.[46]

For the reasons described below, the Commission deems it appropriate to modify the Proposed Amendment as described below and finds that the Proposed Amendment, as modified herein, is consistent with the requirements of Section 11A and Rule 608 thereunder, and is 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 mechanisms of, a national market system, or otherwise in furtherance of the purposes of the Exchange Act.[47]

B. Comment Letters

The Commission received a comment letter from the NYSE Exchanges,[48] which, among other things, expressed support for the Verbal Quotes Amendment.[49] The commenter states that, as outlined in the Proposal, any potential regulatory benefit of verbal quoting activity data is substantially outweighed by the significant costs and burdens.[50] The Commission further received a comment letter supporting the NYSE Letter's recommendation to approve the Verbal Quotes Amendment, and additionally stating that the Commission should review all of its orders granting temporary exemptive relief from CAT reporting requirements with a view to making them permanent, and that full cost-benefit analyses should be required for any future CAT guidance and rulemakings that impose new requirements.[51]

The Commission also received three comment letters from one commenter supportive of the Verbal Quotes Amendment.[52] This commenter supports the Verbal Quotes Amendment by stating that: (i) automated capture of the Exempt Activities is not possible based on current technology; (ii) the costs for manually capturing, interpreting and reporting the Exempt Activities will be significant; [53] (iii) the CAT NMS Plan and the Commission's approval order do not address these significant costs; (iv) Industry Members will curtail their current verbal activity in the absence of relief, which could result in reduced execution quality for customer orders and reduced market liquidity; (v) prices communicated in upstairs one-to-one unstructured communications are not firm because they are not binding on the communicating party and always require a further affirmative action by the communicating party; (vi) that the regulatory value of the data is not clear; and (vii) the Exempt Activities could be defined as ''pre-order communications,'' but are not orders under Commission Rule 613 because they cannot result in a trade execution unless an order is transmitted and received subsequent to such a pre-order communication and prior to the time of trade execution.'' [54]

This commenter further states that manual pre-order communications are far more costly to capture and report to

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[39] *See id.*

[40] *See id.*

[41] *See id.*

[42] *See id.*

[43] *See id.* at 67500–01 (stating that costs that would be incurred by Participants and Industry Members to comply with CAT reporting requirements should be carefully controlled).

[44] 17 CFR 242.608(a).

[45] 17 CFR 242.608(b)(2).

[46] *See id.* Approval or disapproval of a national market system plan, or an amendment to an effective national market system plan (other than an amendment initiated by the Commission), shall be by order. *Id.* In addition, Rule 700(b)(3)(ii) of the Commission's Rules of Practice states that ''[t]he burden to demonstrate that a NMS plan filing is consistent with the Exchange Act and the rules and regulations issued thereunder that are applicable to NMS plans is on the plan participants that filed the NMS plan filing.'' 17 CFR 201.700(b)(3)(ii). ''Any failure of the plan participants that filed the NMS plan filing to provide such detail and specificity may result in the Commission not having a sufficient basis to make an affirmative finding that a NMS plan filing is consistent with the Exchange Act and the rules and regulations issued thereunder that are applicable to NMS plans.'' *Id.*

[47] 17 CFR 242.608(b)(2).

[48] The NYSE Exchanges include New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc. and NYSE Texas, Inc. (collectively, ''NYSE'').

[49] *See* Letter from Jaime Klima, General Counsel, NYSE, dated April 24, 2025, *available at https://www.sec.gov/comments/4-698/4698-598195-1737842.pdf* (''NYSE Letter'').

[50] *See id.* at 3.

[51] *See* Letter from Joseph Corcoran, Managing Director and Associate General Counsel and Gerald O'Hara, Vice President and Assistant General Counsel, Securities Industry and Financial Markets Association, dated June 6, 2025, *available at https://www.sec.gov/comments/4-698/4698-610487-1785814.pdf.*

[52] *See* Letter from Howard Meyerson, Managing Director, Financial Information Forum (''FIF''), dated September 9, 2024, *available at https://www.sec.gov/comments/4-698/4698-518035-1490942.pdf* (''September 2024 FIF Letter''), enclosing December 2022 FIF Letter; Letter from Howard Meyerson, Managing Director, FIF, dated December 6, 2024, *available at https://www.sec.gov/comments/4-698/4698-558515-1603022.pdf* (''December 2024 FIF Letter''); Letter from Howard Meyerson, Managing Director, FIF, dated April 28, 2025, *available at https://www.sec.gov/comments/4-698/4698-596335-1730023.pdf* (''April 2025 FIF Letter'').

[53] FIF states that the annual cost to report the Exempt Activities would be in excess of $4.4 billion, subject to an increase for inflation in the period of time following the submission of the December 2022 FIF Letter. *See* September 2024 FIF Letter, at 2; December 2024 FIF Letter, at 2; April 2025 FIF Letter at 12.

[54] *See* September 2024 FIF Letter, at 2–4; *see also* April 2025 FIF Letter (requesting that the Commission confirm that pre-order communications are not reportable to CAT or provide a permanent exemption from the requirement for firms to report these pre-order communications to CAT).

CAT as compared to electronic activity, while having significantly less surveillance value than orders.[55] The commenter also states that CAT Plan Participants have estimated total CAT operating expenses for 2025 of $248,846,076, which is a 14.8% increase over the 2024 estimated CAT operating expenses for 2024, and that this type of annual cost increase is not sustainable in the long-term.[56] The commenter states that the Commission should focus on ways to reduce CAT operating costs prior to introducing any new mandates to CAT that would involve significant costs for industry members (and ultimately customers), including disruption of current trading practices that have developed over many years.[57]

This commenter further states that if the Commission considers that the Exempt Activities are orders, bids or offers under Commission Rule 613 and does not provide permanent relief for reporting the Exempt Activities, it would be necessary for the Commission to: (i) provide support for this position based on Commission precedent; [58] (ii) publicly communicate its reasoning in writing; (iii) clearly explain the conditions under which specific verbal activity would be or would not be reportable to CAT; and (iv) ensure that the CAT system and CAT documentation are updated to clearly describe the required reporting (including how specific fields, such as duration, should be reported).[59] This commenter also states that the Commission would need to complete these four steps at least three years prior to any implementation of CAT reporting for the Exempt Activities.[60]

C. Categories of Verbal and Manual Activities

The Commission views the activities covered by this amendment as fitting into two categories: (1) verbal activity on exchange floors, which are defined in the Proposed Amendment and in proposed modifications to the CAT NMS Plan as floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders and market maker verbal announcements of firm quotes on an exchange trading floor; [61] and (2) ''upstairs'' verbal and manual activity, which is defined in the Proposed Amendment and the proposed modifications to the CAT NMS Plan as telephone discussions between an Industry Member and a client that may involve firm bid and offer communications and unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (*e.g.,* electronic chats, text messages).[62] For the purposes of analyzing the Proposed Amendment and this order the Commission has considered these categories separately and ultimately believes it is appropriate to treat each category differently.

As discussed further below, while the Commission is approving the amendment with respect to the upstairs verbal and manual activity as proposed, the Commission deems it appropriate to modify the proposed amendment to Section 6.3 of the Plan for (1) floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders and (2) market maker verbal announcements of firm quotes on an exchange trading floor to add the phrase ''until July 31, 2030,'' in front of Sections 6.3(g)(i) and 6.3(g)(ii) of the Plan.[63]

1. Verbal Activity on Exchange Floors

Under the July 2023 Exemptive Order, Participants and Industry Members are not required to report any information relating to the verbalization of floor orders by floor brokers,[64] or the quotes verbalized by floor market makers in response to the verbalization of floor orders by floor brokers. The July 2023 Exemptive Order exempts the reporting to the CAT of any other firm bid or offers made verbally prior to submission of crossed orders for electronic execution. In reliance on this exemption, floor brokers' announcements of orders on an exchange floor are not reported to CAT and floor market maker bids and offers in response to floor brokers verbal orders are not reported to the CAT today. Because confirmed trades on exchange floors must be submitted electronically by floor brokers for execution, information regarding matching interest verbally expressed by floor market makers that is ultimately part of the executed trade is reported to the CAT, but this can be an incomplete picture of what was expressed by floor market makers because the order and the trade submitted and reported to the CAT would only show the amount of market maker interest that was matched for execution, and not the full amount that was offered. Market maker interest that is verbally expressed in open outcry that does not become part of the executed trade is not reported to the CAT currently in any fashion.

Thus, regulators currently have little insight into verbal floor activity except through the reporting of systematized and executed floor orders and surveillance by physical oversight of the open outcry process, primarily by exchange officials. The reporting of verbal activity on exchange floors would help regulators better identify potential violations of broker-dealer best execution obligations, firm bid/offer obligations and exchange priority rules.[65] Information on verbal quotes and orders on exchange floors would also help regulators in understanding market structure, including the competition for orders and execution quality. Reporting would also help regulators identify instances of floor participants backing away from quotes and orders, such as floor brokers routing orders elsewhere after open outcry (*e.g.,* in order to obtain a ''clean cross'' or otherwise limit floor market maker

[55] *See* September 2024 FIF Letter, at 2–4.

[56] *See* December 2024 FIF Letter, at 3.

[57] *See id.*

[58] The commenter states that unstructured verbal and electronic upstairs activities are not reportable to CAT under Rule 613 because they represent indications of interest—not orders. *See* December 2022 FIF Letter, at 11–12. CAT LLC states that the analysis in the December 2022 FIF Letter explaining why unstructured verbal and electronic upstairs activities are not reportable to CAT under Rule 613 (including the challenges that would be associated with reporting those activities) applies equally to communications on exchange trading floors. *See* Notice, at 67499.

[59] *See* September 2024 FIF Letter, at 4.

[60] *See id.*

[61] *See* proposed CAT NMS Plan Section 6.3(g)(i) and (ii). *See* Notice, at 67504.

[62] *See* proposed CAT NMS Plan Section 6.3(g)(i) and (ii). *See* Notice, at 67504.

[63] 17 CFR 242.608(b)(2). The approved CAT NMS Plan amendment language, as modified by the Commission, is in Appendix A. The Commission recognizes that CAT LLC disputes that the Exempt Activities are required under Section 6.3(d) of the Plan. *See* Notice, at 67499. The Commission does not intend the modified amendment to establish any new Plan requirements or to resolve any dispute over whether the Exempt Activities are required under the Plan. Rather, the Commission understands the amendment to exclude the specified categories of data (either permanently or until July 31, 2030) to the extent those categories of data are reportable under Section 6.3(d).

[64] The floor broker's systemization of the order prior to its verbalization of the floor, however, is reported to the CAT today.

[65] When adopting Rule 613, the Commission stated that many of the benefits of a consolidated audit trail can only be achieved if all orders and quotations are included, and that it is important for the consolidated audit trail to capture information for all principal orders and market maker quotations because principal orders and market maker quotations represent a significant amount of order and transaction activity in the U.S. markets. *See* Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722, 45746 (Aug. 1, 2012). The Commission continued to state that the consolidated audit trail would allow regulators to efficiently surveil for manipulative and other illegal activity by market making and other proprietary trading firms, and that including principal orders and market maker quotations in the consolidated audit trail would permit the SROs to more efficiently monitor the market for violations of SRO rules. *Id.*

participation), and issues relating to the allocation of trades to floor participants.

The information provided by CAT LLC does not meet its burden to establish that providing a permanent exception to reporting obligations for verbal activity on exchange floors is necessary or appropriate. As discussed in greater detail below, of the twenty five national securities exchanges, only five options exchanges and one equity exchange have physical trading floors, but floor trading can represent a substantial portion of trading volume for those exchanges.[66] In addition, while floor trading can make up a small percentage of options trades, the notional volume of floor trading can be much larger, highlighting that trades on floors can be very large and an important trading method for market participants and as such it needs to be included in CAT for effective regulatory oversight purposes.[67]

The Commission recognizes that the reporting of such information will impose costs on the Participants and Industry Members, but while there are costs to reporting the Exempt Activities on trading floors, the costs provided by CAT LLC and a commenter are likely overstated. CAT LLC estimates that it would cost $64.35 million to $112.86 million per year to designate a full-time employee for each floor broker and floor-based market maker with an additional one-time cost of $20 million to $30 million on top of direct personnel costs to build the additional space required to support the increased number of personnel performing the manual reviews because the relevant exchanges do not currently have room for the additional staff to be present on the exchange floor.[68] However, this estimate is based on an assumption that every floor broker and every floor-based market maker would need a full-time employee solely to report to the CAT, and is based on a commenter's estimate of costs that include both floor and upstairs verbal and manual activity.[69] But, as discussed below, the Commission believes that this methodology may overstate the costs of reporting this information to CAT because floor verbal activity is distinct from verbal and manual activity on the upstairs market insofar as much of the relevant information that would be reported to CAT is already systematized, floor brokers and floor market makers have handheld and other electronic devices to facilitate the open outcry process,[70] and floor verbal activity is governed by exchange rules.

CAT LLC and a commenter state that Industry Members have analyzed the issue and have concluded that there is currently no artificial intelligence software or algorithm with a feasible architecture to accurately capture and report the Exempt Activities to the CAT in an automated manner.[71] However, the verbal and manual activity scenarios, examples, and discussion of the challenges of natural language processing attached to the December 2022 FIF Letter all relate to upstairs verbal and manual activity.[72] CAT LLC states that the same challenges exist for Industry Members and Participants on exchange trading floors, but as discussed below, activity on exchange trading floors is different than upstairs activity because of exchange rules and the nature of floor activity. In addition, unlike upstairs verbal and manual activity, and as stated by CAT LLC, every floor order must be systematized by the floor broker prior to representation and is reportable to the CAT, and to the extent a floor broker is not holding a systematized order, the floor broker is not eligible to represent any firm bid or offer.[73] Thus, capturing verbal quote and order information on an exchange floor does not involve the same complexity and/or costs as capturing upstairs verbal and manual activity.[74]

Industry Members engaged in floor activities are subject to exchange rules that govern when orders and quotes vocalized in open outcry on exchange floors are firm.[75] Floor brokers are required to announce order(s) that the floor broker is representing to the trading crowd prior to submitting the systematized order for execution.[76] Responses from floor market makers are firm quotes under the exchange rules—for example, Nasdaq PHLX LLC rules specify that, among other things, during public outcry once the trading crowd has provided a quote, it will remain in effect until (A) a reasonable amount of time has passed, or (B) there is a significant change in the price of the underlying security, or (C) the market given in response to the request has been improved.[77] These verbalized orders and quotes in open outcry are ''firm,'' and even though they are firm for a short period of time, they are reportable CAT events much like the routing of an immediate-or-cancel order on electronic markets, which is ''firm'' only upon receipt and immediately canceled if not executed.

The Participants and Industry Members could establish methods for capturing verbal order and quote information communicated on exchange

[66] *See infra* Section V.A.2.a. An analysis of data from OPRA Option Trade Reports shows that, in Q4 2024, trading on exchanges floors made up 41.6% of options trading in terms of notional volume and 7.7% of executed options contracts. *See infra* note 105. The Commission understands that the nature of trading activity on the equity trading floor differs from the options floors, including the importance of the closing auction on the equity trading floor. According to New York Stock Exchange LLC, the closing auction on the equity trading floor is the single largest liquidity event of the day and can account for over 20% of daily volume, and the community of floor brokers and designated market makers on the equity floor contribute over 35% of that close liquidity, on average. *See* NYSE Auctions, ''The Closing Auction,'' *available at: https://www.nyse.com/auctions.* Due to these differences, the regulatory value of the Exempt Activities insofar as they relate to equity floor trading would likely differ from the regulatory value of information regarding verbal and manual activity on options trading floors, as would the relative difficulty in capturing such verbal and manual activity. CAT LLC and commenters do not distinguish between equities and options floors in their request or analyses.

[67] *See infra* note 105 (explaining that the largest single-day percentage of floor trading (in terms of notional volume) was 64.4% in Q4 2024, even though floor trades made up just 0.24% of options trades in Q4 2024 on average and 0.35% at most). The Commission does not have specific data on what portion of trades that occur upstairs involve reportable firm verbal or manual communications, but a commenter states that well under one-hundredth of one percent of orders would involve a manual pre-order communication. *See* September 2024 FIF Letter, at 5.

[68] *See* Notice, at 67502.

[69] *See id.* at 67502–03.

[70] To the extent systematized orders are or can be reflected in handhelds or other electronic devices, it may be easier to report responses to such orders because some of the required data will already be systemized (*e.g.,* symbol, side and other key terms of the order).

[71] *See* Notice, at 67501–02; September 2024 FIF Letter, at 2 (citing December 2022 FIF Letter, at 5).

[72] *See* December 2022 FIF Letter, at Attachment I, II, and IV.

[73] *See* Notice, at 67503.

[74] For example, the December 2022 FIF Letter provides several upstairs scenarios in which a determination of what communications are CAT reportable would require both careful analysis and more clarity in CAT reporting rules. *See* December 2022 FIF Letter, at Attachment I, II, and IV.

[75] *See, e.g.,* BOX Exchange LLC (''BOX'') Rule 7580(e)(2); NYSE Arca LLC (''Arca'') Rule 6.73–O (stating that for a floor bid or offer ''to be effective, a bid or offer must . . . be made by open outcry at the trading post where the option is traded'').

[76] The Commission believes that existing exchange rules requiring systemization prior to open outcry would reduce risk that reporting would be inconsistent and prone to error, unlike the upstairs market.

[77] *See* Nasdaq PHLX, LLC Rules, Options 8, Section 2(a)(9). *See also* Exchange Act Release No. 90880 (Jan. 8, 2021), 86 FR 3217, 3221 (Jan. 14, 2021) (SR–Phlx–2021–03) (stating that ''Floor Market Maker quotes are considered firm when announced in open outcry and once accepted the transaction may be effectuated within FBMS,'' and ''a Floor Market Maker that experiences issues with internet connection, makes an error or otherwise is unaware of recent news in a particular option, would be held to a quote verbalized in open outcry''); Cboe Exchange, Inc. Rule 5.52(a) (stating that ''Market-Maker bids and offers are firm for all orders under this Rule and Rule 602 of Regulation NMS under the Exchange Act [ ] for the number of contracts specified in the bid or offer, except if'' certain exceptions apply).

floors that are more cost-effective and efficient than the proposal that each floor participant be required to hire a full-time employee solely for CAT reporting. For example, CAT LLC states that orders on exchange trading floors are electronically systematized for execution, and executions resulting from the verbal representation of these orders and floor market maker responses will continue to be required to be reported to the CAT.[78] Thus, to capture verbal order information, the initial floor broker verbalizations of systematized orders would require the addition of a timestamp identifying when the floor broker verbally announced the order in open outcry, but otherwise the material terms of the verbal order are already systematized electronically. Additionally, floor brokers generally use handhelds or other electronic devices when on the floor to facilitate the required systematization of orders, to facilitate the reporting of when a floor broker initially announces an order in open outcry and any verbalized revisions to that order in negotiations with the trading crowd. Thus, for simple floor trades that involve the verbal representation of a systematized order by a floor broker and subsequent submission for electronic execution with floor market maker responses included as appropriate, floor brokers could satisfy verbal reporting obligations by electronically communicating when these already systematized orders were presented verbally to the trading crowd, potentially through handheld devices or electronic equipment already used for the systematization of the order. The same devices and electronic equipment could be used to record verbal modifications and cancellations of that systematized order—and at least for modifications, such verbal modifications already must be systematized by the floor broker if the order is to be submitted electronically for execution. Participants or Industry Members could develop updated software for those handhelds or other electronic devices that would allow those devices to be used to record the reportable floor-based verbal quote or order activities, and the Commission notes that at least one exchange currently requires floor brokers to electronically record the time at which the floor broker initially represents a systematized order to the trading crowd.[79]

With respect to floor market maker quotes, the Commission understands that floor market makers provide verbal quotes based on already electronically systematized information (*i.e.,* no floor market makers are currently *sua sponte* providing verbal quotes on exchange floors without real-time awareness of the market for relevant securities). CAT LLC has not established that it is necessary to have a full-time employee to capture the timing of vocalization of that interest because it may be possible for already systematized electronic information to form the basis for CAT reporting by exchanges or floor participants. Floor market maker or exchange provided systems could be modified to allow floor market makers to quickly notate when a quote is verbally expressed in response to a floor broker's bid or offer, based on already electronic information containing the material terms of the quote. Alternatively, floor brokers could be required pursuant to exchange rules to record all verbal responses by floor market makers on their handheld devices or other electronic devices, and not just record the responses of floor market makers required for execution, which floor brokers are already required to do for matching interest verbally expressed by floor market makers. Due to potential alternative means of reporting verbal activity on exchange floors, the Commission does not believe that the cost estimates CAT LLC has provided demonstrate that it is necessary or appropriate to permanently remove the reporting of floor-based verbal quotes and orders from the CAT NMS Plan.

Given the concerns raised about costs and implementation by CAT LLC and commenter, the Commission is providing the Participants and Industry Members five years to implement cost-effective reporting of floor-based verbal quotes and orders. Amending the CAT NMS Plan to codify a deadline of July 31, 2030, for the reporting of verbal quotes and orders that occur on exchange floors provides Participants and Industry Members an appropriate amount of time to modify existing technology and update processes necessary for cost-effective reporting of verbal quotes and orders on exchange floors. In addition, it would provide sufficient time for Participants to update technical specifications and guidance such as reporting scenarios and FAQs, as well as any other changes required.[80]

2. Upstairs Verbal and Manual Activity

Unlike verbal activity on exchange floors, the Commission believes it is appropriate for CAT LLC to amend the CAT NMS Plan to permanently exclude the requirement that Participants and Industry Members report the Exempt Activities insofar as they relate to verbal and manual activity that occurs outside of exchange facilities, specifically: (1) telephone discussions between an Industry Member and a client that may involve firm bid and offer communications; and (2) unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (*e.g.,* electronic chats or text messages).

As discussed above, the Commission believes that verbal and manual activity that occurs off exchange floors is distinct from activity that occurs on exchange floors. Unlike on-exchange floor verbal quotes and orders, which CAT LLC states involve verbal announcements of firm orders by floor brokers that have already been systematized,[81] CAT LLC and

[78] *See* Notice, at 67502–03. In addition, CAT LLC states that any cancellation or change to an order transmitted to an exchange floor broker must occur within the systematized order record. *Id.*

[79] *See* Rules of Cboe Exchange, Inc., at Chapter 5, Section G, Rule 5.91(a)(4), *available at: https://cdn.cboe.com/resources/regulation/rule_book/C1_Exchange_Rule_Book.pdf* (stating that a floor broker's use of due diligence in handling and executing an order includes, among other things, "subject to the requirement to systematize orders prior to representation pursuant to Rule 5.7(f), electronically recording the time via a PAR workstation at which the Floor Broker initially represents the order to the trading crowd"). Cboe Exchange, Inc. rules also state that the use of hand signal communications on the Exchange's trading floor may be used to initiate an order, to increase or decrease the size of an order, to change an order's limit price, to cancel an order, or to activate a market order, and that any initiation, cancellation, or change of an order relayed to a Floor Broker through the use of hand signals also must be systematized. *See* Cboe Exchange, Inc. Rule 5.7, Interpretation and Policies .02. While this activity is prior to the open outcry process, the Commission believes that the requirements in the Cboe rules suggest that floor brokers may not require a new full-time staff member for each individual floor broker trader to record verbal and manual activity that occurs in open outcry. This is another example of floor brokers being required to electronically systematize verbally or manually conveyed information, in addition to the existing requirement that floor brokers electronically record and electronically report matching floor market maker interest that is verbally expressed in open outcry, all of which is currently required and done without severely impacting existing workflows or floor brokers' ability to participate in fast-moving markets.

[80] A commenter has previously noted that current CAT documentation does not provide sufficient guidance for reporting floor trading activity. *See* December 2022 FIF Letter, at 8–9. The Commission agrees with the commenter that changes to CAT documentation and the CAT system will be required to facilitate the reporting of floor verbal quotes and orders, and believes that five years should be sufficient time to accomplish those changes.

[81] *See* Notice, at 67503.

commenters have not stated that telephone discussions and unstructured electronic and verbal communications by Industry Members involve communications of firm bids or offers that have already been systematized. In addition, upstairs verbal and manual activity is unlike the vocalization of on-exchange floor market bids and offers and floor market maker quotes, which is governed by exchange rules.

Therefore, unlike floor orders, reporting of these unstructured electronic and verbal communications would require significant business and technological changes across broker-dealers and the CAT to accommodate the capture, systematization and reporting of this activity. A commenter estimates the costs of reporting of verbal and manual order information to be over $4.4 billion [82] The Commission believes this overall estimate is overstated because, among other reasons, the analysis assumes that *every* one of the estimated traders that use verbal or manual quotes and orders would each need a full-time employee to comply with the reporting requirement and that each of those full-time employees would have a salary of $522,651. However, the Commission recognizes the need to reduce costs and believes that in the absence of technological advances to accurately capture and report upstairs verbal and manual activity in a cost-effective manner, it is not appropriate to require that Industry Members modify systems, workflows, physical infrastructure and hire additional staff for the manual and expensive endeavor of reporting upstairs verbal and manual order information.

The upstairs verbal and manual communications covered by this aspect of the Proposed Amendment include a wide range of activity, including firm bids or offers made by broker-dealers to another broker-dealer or customer(s) via telephone calls, text messages, instant messaging applications, emails, or other unstructured electronic means, and potentially involving multiple methods of communication and/or involving multiple parties.[83] While this information would help regulators better identify potential violations of securities laws and regulations, including violations of best execution obligations, firm bid/offer obligations, and additionally help regulators in understanding market structure including providing a better understanding of the range and amount of verbal and manual activity in the upstairs market and the behavior of market participants, as described above, CAT LLC and a commenter estimate that the costs of reporting upstairs verbal and manual activity would be magnitudes greater than reporting floor verbal quotes and orders.[84] In the upstairs market there are no exchange rules that govern how verbal and manual activity occurs, including no requirement that upstairs orders be systematized before verbal or manual bids and offers are made, and thus reporting of Exempt Activities in the upstairs market would be a significantly manual activity in the absence of technological developments that would lead to the efficient and accurate reporting of upstairs verbal and manual activity, imposing significant costs on market participants. Thus, unlike for floor-based activity, the regulatory value of reporting of verbal and manual activity that occurs off exchange floors does not justify the costs of requiring the reporting of this activity.

In addition, CAT LLC and a commenter state that requiring the reporting of telephone discussions between an Industry Member and a client that may involve firm bid and offer communications, and unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (*e.g.,* electronic chats or text messages), could negatively modify market participant behavior and market structure. According to CAT LLC and a commenter, without permanent relief from reporting these firm bids and offers, Industry Members would be incentivized to provide non-firm indications of interest to other Industry Members and customers, which could result in reduced execution quality, reduced market liquidity, and potentially disrupt trading. The Commission agrees, especially in light of the difficulty of determining when upstairs verbal and manual communications are ''firm.'' While the reporting of these upstairs activities would have regulatory value, the potential effect on market participant behavior and market structure would likely negatively impact their regulatory value. The Commission does not believe a similar concern exists on exchange floors, where firms are subject to exchange rules on the firmness of vocalizations on the exchange floor, and there is less ambiguity about when a vocalized bid or offer is firm.

Pursuant to the CAT NMS Plan as amended, Industry Members will still be obligated to report the same information related to verbal or manual orders and executions as they do today. As stated by CAT LLC, the Verbal Quotes Amendment is not intended to affect activity that is currently reported to CAT.[85] For example, on exchange trading floors executions resulting from the verbal representation of floor broker orders and floor market maker responses will continue be required to be reported to the CAT.[86] In addition, for verbal or manual trades made upstairs, executions will still be subject to existing reporting requirements, such as the requirement to report to CAT when the broker either creates an order when dealing with a customer, or accepts an order from another broker-dealer, and when the trade execution occurs.[87]

V. Efficiency, Competition, and Capital Formation

In determining whether to approve a proposed amendment to the CAT NMS Plan, and whether such amendment is in the public interest, Rule 613 requires the Commission to consider the potential effects of the proposed amendment on efficiency, competition, and capital formation.[88] The Commission has reviewed the arguments about such effects put forth by CAT LLC and independently analyzed the likely effects of the Proposed Amendment on efficiency, competition, and capital formation. Based on its analysis, the Commission concludes that the Proposed Amendment, as modified herein, could have a positive impact on operational efficiency, a negative impact on regulatory efficiency, and a mixed effect on market efficiency. The Proposed Amendment, as modified herein, is also expected to have a mixture of positive and negative impacts on competition, and it is not expected to have any meaningful impact on capital formation. These effects are discussed below.

[82] *See supra* note 23.

[83] A commenter provided verbal activity scenarios that include scenarios involving simultaneous voice and chat communications, chat messages referencing terms of a separate FIX order transmission, and communications involving multiple discussions spanning significant time periods, multiple languages, and multiple methods of communication. *See* September 2022 FIF Letter, Attachment I.

[84] *See supra* notes 23 and 24, and accompanying text.

[85] *See* Notice, at 67501.

[86] *See id.* at 67502–03. In addition, CAT LLC states that any cancellation or change to an order transmitted to an exchange floor broker must occur within the systematized order record. *Id.*

[87] *See id.* at 67503.

[88] 17 CFR 242.613(a)(5).

A. Baseline

1. Regulatory Baseline and Current Market Practice

In analyzing the impact of the Proposed Amendment on efficiency, competition and capital formation, the Commission considered the baseline to consist of the current regulatory framework for the Exempt Activities, which includes the requirement to report the Exempt Activities to CAT under Rule 613 and the CAT NMS Plan, as well as market practice under the November 2020 and July 2023 Exemptive Orders. In particular, the baseline represents the current state of the world, including the existing Commission-approved temporary exemptive relief within the July 2023 Exemptive Order, which expires on July 31, 2026, and the extent to which market participants have undertaken certain actions toward the reporting of the Exempt Activities.

The CAT NMS Plan requires the reporting of ''Manual Order Events,'' which, as defined by the CAT NMS Plan, are non-electronic communications of order-related information for which CAT Reporters must record and report the time of the event.[89] As the Commission stated in the November 2020 Exemptive Order and reiterates here, Rule 613 and the CAT NMS Plan both require the capture and reporting of verbal quotes and orders, because they are a subset of Manual Order Events.[90]

Due to the temporary exemptive relief for the reporting of the Exempt Activities under the November 2020 Exemptive Order, and its subsequent extension under the July 2023 Exemptive Order, the Exempt Activities are currently not being reported to the CAT. Thus, the benefits of having information about the Exempt Activities in the CAT, which are primarily expected to be benefits related to regulatory activities such as market surveillance, examinations and investigations, and more efficient execution of numerous other regulatory functions, have not been realized.[91] In the CAT NMS Plan Approval Order, the Commission explained how investors benefit from the CAT-enabled improvements to such regulatory activities.[92] In the November 2020 Exemptive Order, the Commission stated that collecting verbal quotes and orders would provide regulatory benefits that do not currently exist.[93] The Commission also stated that regulators do not have detailed information relating to most verbal quotes and orders, which would allow regulators to more capably perform regulatory and surveillance functions, and that it does not believe it is appropriate to exclude such quotes and orders from CAT reporting, which often are more complex and/or involve larger-sized orders.[94]

The current lack of reporting of the Exempt Activities in CAT data suggests also that market participants have likely not incurred the full implementation costs of reporting the Exempt Activities. In the November 2020 Exemptive Order granting the initial temporary exemption for reporting the Exempt Activities, the Commission acknowledged the difficulties of implementing the reporting of such events, and that the exchanges with floors and Industry Members did not have the means to collect the information necessary for reporting verbal activity on exchange floors or upstairs.[95] The Commission reiterated in the July 2023 Exemptive Order that extending the temporary exemptive relief should allow Participants and Industry Members time to collaborate, develop, and implement a reporting framework, guidelines, FAQs, and scenarios necessary for effective and efficient reporting of floor-based verbal quotes and orders and upstairs activity.[96]

Both CAT LLC and one commenter to the Proposed Amendment commented on lingering technological problems and provided estimates of the costs of reporting the Exempt Activities. CAT LLC estimates that these costs could be in the billions and states that it is technologically infeasible to reliably, accurately, and consistently collect and report data concerning the Exempt Activities, and that no technological developments have occurred that would make reporting the Exempt Activities cost effective.[97] A commenter projected an annual cost in excess of $4.4 billion to manually capture the Exempt Activities.[98] The Commission recognizes that reporting the Exempt Activities to CAT will impose costs on the Participants and Industry Members, but the Commission believes that the costs provided by CAT LLC and this commenter are likely overstated, particularly for floor-based verbal activity.[99] CAT LLC also stated that, since current technology is not sophisticated enough to reliably capture and report the Exempt Activities, such activities could only be reported manually, which would lead to inconsistent reporting that is prone to error due to the need for human

[89] *See* CAT NMS Plan at Section 1.1 (defining ''Manual Order Events'' as ''a non-electronic communication of order-related information for which CAT Reporters must record and report the time of the event'' and defining ''CAT Reporter'' as ''each national securities exchange, national securities association and Industry Member that is required to record and report information to the Central Repository pursuant to SEC Rule 613(c).''). *See also supra* notes 9–13 and corresponding text for further discussion of reporting requirements under CAT.

[90] *See* November 2020 Exemptive Order, *supra* note 13, at 73547.

[91] *See* Securities Exchange Act Release No. 78318 (Nov. 15, 2016), 81 FR 84696 (Nov. 23, 2016) (''CAT NMS Plan Approval Order''), at 84833–40 for a discussion of the regulatory benefits of CAT, including the regulatory benefits of reporting exempt activities. One regulatory benefit of reporting exempt activities is that it allows regulators to access data in a single data source. *See also* CAT NMS Plan Approval Order, at 84738 for a discussion on a recommendation by a commenter that certain broker-dealers using manual orders should be exempt from CAT reporting obligations. The Commission stated that such an exemption would result in an audit trail that does not capture all orders by all participants in the securities markets. The Commission further stated that data from all broker-dealers is necessary for regulatory purposes and did not provide an exemption for firms using manual orders as recommended. In addition, CAT includes data on principal orders, market maker quotes, and quote sent times for options market maker quotes, which were not all captured by the SRO audit trails that existed when CAT was approved. *See id.* at 84811. Also, when approving the CAT NMS Plan, the Commission explained that centralized linking should generally promote the accuracy and efficiency of the resulting data. *See id.* at 84826. In the notice of the CAT NMS Plan, the Commission explained that the inability to link all records affects the accuracy of the resulting data and can force an inefficient manual linkage process that would delay the completion of the data collection and analysis portion of the examination, investigation, or reconstruction. *See* Securities Exchange Act Release No. 77724, 81 FR 30614, at 30670 for a discussion of the regulatory benefits of linking and combining data.

[92] A discussion of the expected benefits and regulatory usage of the CAT NMS Plan is available in the CAT NMS Plan Approval Order. *See* CAT NMS Plan Approval Order, at 84816–40.

[93] *See* November 2020 Exemptive Order, *supra* note 13, at 73547. The Commission gave the example that the reporting of firm verbal quotes from floor market makers would allow regulators to determine whether a market maker has ''backed away'' from a firm quote. The Commission did not reference the regulatory benefits of the Exempt Activities in the July 2023 Exemptive Order.

[94] *See id.*

[95] *See id.*

[96] *See* July 2023 Exemptive Order, *supra* note 19, at 51370.

[97] *See supra* note 26.

[98] *See* September 2024 FIF Letter, at 2; December 2024 FIF Letter, at 2; December 2022 FIF Letter, at 6–8 and 20–21; April 2025 FIF Letter, at 6. This cost estimate is based on the assumption that, for each trader at a firm, one full-time compliance person at that firm will be required to review all of the phone conversations and unstructured electronic communications of that trader and manually input this data into a quote capture system. *See* December 2022 FIF Letter, at 6–8.

[99] *See supra* Section IV.C, acknowledging that the reporting of such information will impose costs on the Participants and Industry Members, but noting that the Commission believes that the costs provided by CAT LLC and a commenter are likely overstated.

review.[100] The Commission recognizes current technological challenges with reporting the Exempt Activities, particularly in the upstairs market.[101]

2. Competition Baseline

The Exempt Activities consist of activities that occur in two separate subcategories within the market for trading services: first, verbal floor activity, which takes place on exchanges' trading floors; and second, unstructured verbal and electronic upstairs activity, which occurs on the so-called ''upstairs'' market.[102] The following discusses the competitive landscape of each of these markets.

a. Exchange Floor Trading

The market for exchange trading services in options and equities consists of 25 national securities exchanges currently operating, of which five options exchanges and one equity exchange have physical trading floors [103] that typically operate alongside electronic markets. The Commission understands that floor trading in the equity markets is limited to certain order types and times of day; [104] however, in the options market, floor trading can represent a substantial portion of trading volume.

A Commission staff analysis of data from OPRA Option Trade Reports shows that, in the fourth quarter of 2024, trading on options exchange floors made up 41.6% of options trading in terms of notional volume and 7.7% of executed options contracts.[105] The analysis considers various measures meant to capture exchanges' share of floor trading (including the percentage of floor trades, contract volume, and notional trading volume) across the five options exchanges with physical trading floors during the fourth quarter of 2024. Also included is a measure of the exchanges' overall market share (measured as the percentage of total notional options trading volume taking place on that exchange).

Table 1 shows that floor market share (in terms of the notional value of floor trading volume) tends to be less concentrated across the five options exchanges than their overall market share (in terms of overall notional trading volume).

TABLE 1—FLOOR TRADING MARKET SHARE BY OPTIONS EXCHANGE, Q4 2024

Options exchange	Floor market share (% of floor trades)	Floor market share (% of floor contract volume)	Floor market share (% of floor notional volume)	Overall market share (% of total notional volume)
BOX Exchange LLC	45.0	26.5	9.0	5.6
Cboe Exchange, Inc.	46.1	31.2	80.1	50.7
Nasdaq PHLX LLC	6.7	25.8	8.5	8.1
NYSE American LLC	1.4	9.4	1.7	2.9
NYSE Arca, Inc.	0.8	7.1	0.7	7.4

This table shows various statistics meant to capture the distribution of shares of floor trading across the options exchanges that offer physical trading floors. Column 1 measures the number of options floor trades on each exchange, divided by the total number of options floor trades across all exchanges. Column 2 measures the number of options contracts traded on a given exchange's trading floor, divided by the total number of options contracts traded across all exchange floors. Column 3 measures the total notional value of options traded on a given exchange's trading floor, divided by the sum of notional options volume traded across all exchange floors. Columns 1–3 use data from OPRA Option Trade Reports, collected from MIDAS. Floor trades are defined as options trades that are marked in OPRA with message types SLFT (Single Leg Floor Trade), MLFT (Multi Leg floor trade), MFSL (Multi Leg floor trade against single leg(s)), TLFT (Stock Options floor trade), TFSL (Stock Options floor trade against single leg(s)), and CBMO (Multi Leg Floor Trade of Proprietary Products). *See* OPRA Pillar Input Specification (Dec. 6, 2024), *available at https://cdn.opraplan.com/documents/OPRA_Pillar_Output_Specification.pdf*. Overall Market Share in column 4 is calculated as the sum of notional volume traded on a given exchange, as a percentage of the total notional volume traded across all options exchanges (including those without trading floors), using data for Q4 2024 from CBOE's U.S. Options Market Volume Summary, *available at https://www.cboe.com/us/options/market_statistics/*. The sum of Column 4 is less than 100% because it only includes the respective market shares of options exchanges with trading floors. The market share of the overall options market belonging to exchanges that do not operate trading floors is not included in Column 4.

[100] *See* Notice, at 67500. That the automated capture of the Exempt Activities is not possible based on current technology was supported by a commenter; *see* September 2024 FIF Letter, at 2; December 2022 FIF Letter, at 5 and 14–19.

[101] *See supra* Section IV.C.2 for a discussion of technological and other challenges involved in reporting activity in the upstairs market. *See also* Notice, at 67500.

[102] ''Upstairs'' is a term used to describe the off-exchange market. *See supra* note 4.

[103] This includes the New York Stock Exchange, LLC in the equity market, as well as BOX Exchange LLC; Cboe Exchange, Inc.; Nasdaq PHLX LLC; NYSE American LLC; and NYSE Arca, Inc. in the options market. One additional options exchange, MIAX SAPPHIRE, LLC, expects to open a physical trading floor on June 30, 2025. *See, e.g., https://www.miaxglobal.com/alert/2024/12/06/miax-sapphire-options-exchange-trading-floor-update-notification-important.* In addition, several of these exchanges have so-called ''virtual trading floors,'' which allow market participants remote access to an electronic program with video, audio, and chat functions that is intended to take the place of open outcry in the event that the exchange's physical trading floor becomes inoperable. *See* Securities Exchange Act Release No. 90658 (Dec. 14, 2020) (Cboe Exchange, Inc.; Order Granting Accelerated Approval of a Proposed Rule Change) and Securities Exchange Act Release No. 91714 (Apr. 29, 2021) (Notice of Filing of Proposed Rule Change to Adopt BOX Rule 7670 to Establish a Virtual Trading Floor on BOX).

[104] In particular, the Commission understands that most floor trading in the equity market happens at market close, particularly in NYSE's Closing Auction, through the use of discretionary orders (''D-orders''), which are orders exclusively available through NYSE floor brokers that allow orders to be entered or cancelled up until one second before the auction clears (vs. 15 minutes for other types of orders). *See, e.g.,* ''D-ORDER™ orders: The Floor Broker's modern trading tool,'' *available at https://www.nyse.com/article/trading/d-order,* stating that interest represented via the floor currently contributes more than one-third of NYSE's total Closing Auction volume; *see also* ''NYSE Closing Auction: price discovery opportunities reach new highs'' (August 29, 2024), *available at https://www.nyse.com/data-insights/nyse-closing-auction-price-discovery-opportunities-reach-new-highs,* stating that as of Aug. 2024, Closing D-Orders account for over 46% of the NYSE Closing Auction executed volume.

[105] The analysis uses data from OPRA Option Trade Reports, collected from MIDAS. Floor trades are defined as options trades that are marked in OPRA with message types SLFT (Single Leg Floor Trade), MLFT (Multi Leg floor trade), MFSL (Multi Leg floor trade against single leg(s)), TLFT (Stock Options floor trade), TFSL (Stock Options floor trade against single leg(s)), and CBMO (Multi Leg Floor Trade of Proprietary Products). *See* OPRA Pillar Input Specification (Dec. 6, 2024), *available at https://cdn.opraplan.com/documents/OPRA_Pillar_Output_Specification.pdf.* Floor trading can also represent a much larger portion of trading volume on any given day; for example, the largest single-day percentage of floor trading (in terms of notional volume) was 64.4% in Q4 2024. At the same time, floor trades made up just 0.24% of options trades in Q4 2024 on average (single-day maximum of 0.35%), highlighting that trades on the floor tend to be very large.

It is difficult to interpret this further because, unlike in the equities markets, the products traded on options exchange trading floors tend to be proprietary products that are not cross-listed across options exchanges and, as a result, are traded exclusively on the listing exchange.[106] To the extent that these products do not have substantially similar substitute products that are traded on other exchanges, the degree to which options exchange floors compete with one another or with electronic exchanges for order flow would be limited.[107] Furthermore, the differences between market shares in terms of floor trade numbers and floor notional volume show that there is variation across exchanges in terms of average floor trade sizes. For example, while BOX Exchange, LLC handles 45% of all options floor trades, it handles only around a quarter of floor trading in terms of notional value, implying that this exchange likely handles a large number of smaller-sized trades. Lastly, the significant differences between floor market share and overall market share for some exchanges implies that the amount of floor trading as a percentage of an exchange's total options trading varies significantly across exchanges.[108] As such, floor trading may be of varying importance to different exchanges' business models.

In some cases, exchange trading floors may compete directly with electronic limit order books for both orders and participants, though this competition may be limited. For example, exchange trading floors are often used for larger and complex orders that benefit from more human intervention,[109] implying that exchange trading floors have a competitive advantage for these types of orders.[110] At the same time, there is mixed evidence that market participants are easily able to substitute electronic markets for exchange floor trading on equity exchanges, *e.g.,* following the closure of exchange floors during the COVID–19 pandemic.[111]

Floor brokers and floor market makers operate on exchange trading floors.[112] Some market participants employ floor brokers to trade on their behalf; these market participants are likely to be institutional traders engaged in large and/or complex trades. The Commission is not able to estimate the total number of entities that engage in floor trading on exchange floors across both equity and options exchanges. The Commission estimates that there are currently 21 firms that maintain floor brokers in equity markets;[113] due to the higher overall share of floor trading on options markets, it is likely that there are more firms that are active in floor trading on options exchanges. The baseline also consists of the existing capacity constraints on physical exchange trading floors, which may limit the number of market makers and broker-dealers that can engage in floor trading.

As the Exempt Activities have, up to now, been exempted from CAT reporting requirements, the Commission does not have quantitative information on, and is unable to quantify, the extent to which the Exempt Activities are used in floor trading, and neither CAT LLC in the Proposed Amendment nor any commenter to the Proposed Amendment offer quantitative estimates of these Exempt Activities. However, the Commission is able to quantify the market share of floor trading, *e.g.,* see Table 1, which reports market shares of floor trading of options exchanges.

b. Upstairs Activity

The upstairs market has traditionally functioned through intermediaries (*i.e.,* broker-dealers), who facilitate block trading by locating counterparties for large trades (typically large institutional investors whose trades are liquidity-motivated and not based on information).[114] The importance of the upstairs market for facilitating institutional trading has likely decreased over recent years, due to the growing use of algorithms and smart order routers, which permit institutional investors and their broker-dealers to break large parent orders up into smaller child orders for the purposes of routing (thus serving as a substitute to the use of the upstairs market),[115] as well as the growing importance of Alternative Trading Systems (''ATSs'').[116] According to one industry report, the upstairs market represented about 14.4% of off-exchange trading as of the third quarter of 2021.[117] Major participants in this market include large banks, for whom balance sheet adjustments often require trading in large blocks, as well as ETF market makers and institutional brokers that specialize in block trading.[118] Confirming the purpose of the upstairs market as facilitating large-sized trades, the report found that, for these participants, a significant majority of their upstairs trading is done in block

[106] For example, the Commission understands that options floor trading on Cboe tends to be concentrated in S&P 500 Index (SPX) options, Cboe Volatility Index (VIX) options, Russell 2000 Index (RUT) and SPDR S&P 500 ETF Trust (SPY) options, most of which are proprietary Cboe products.

[107] For certain options, there are substitute products that are traded on other exchanges, but these may not be perfect substitutes. For example, any options exchange can develop products with SPY as underlying to list those products and other options exchanges indeed trade options on SPY, which could compete with SPX options. Other options exchanges also have options on volatility indices meant to compete with VIX options.

[108] For example, based on OPRA Option Trade Reports data, floor trading represented more than 70% of the notional value of options traded on BOX Exchange LLC in Q4 2024, but just 9.6% of the notional value of options traded on NYSE Arca over the same time period.

[109] *See, e.g., supra* note 94. Order sizes on trading floors vary widely, and as mentioned above, it appears likely that BOX Exchange handles a large number of smaller-sized trades.

[110] Some electronic exchanges have sought to create features meant to compete for capture some order flow that floor exchanges attract. For example, the International Securities Exchange introduced a ''facilitation mechanism'' to compete for order flow that tended to be directed to exchange floors. *See* Securities Exchange Act Release No. 49056 (Jan. 12, 2004), 69 FR 2798, 2799 (Jan. 20, 2004) (Notice of Filing of Proposed Rule Change and Amendment No. 1 thereto by International Securities Exchange, Inc., Relating to Pricing of Block and Facilitation Trades).

[111] *See, e.g.,* Cox, J., & Woods, D, COVID–19 and market structure dynamics, *147 Journal of Banking & Finance,* 106362 (2023), finding that the closing of the NYSE floor was not consequential for U.S. markets since many electronic trading platforms and trading algorithms have replaced the role of human traders. *But see* Brogaard, J., Ringgenberg, M. C., & Roesch, D, *80*(1) Does floor trading matter?, *The Journal of Finance,* 375–414 (2024), finding that liquidity deteriorated during the floor closures, as in-person human interaction facilitates the transfer of valuable information in a way that cannot be easily replaced with algorithms.

[112] Floor brokers are typically individuals that register to participate on an exchange trading floor for the purpose of accepting and handling orders; floor market makers are market makers that have a physical presence on an exchange's trading floor and have quoting obligations, providing quotes electronically, in open outcry, and/or otherwise verbally.

[113] *See* NYSE, Trading Floor Broker Directory, *available at https://www.nyse.com/trading-floor-broker-directory* (last visited April 30, 2025).

[114] *See, e.g.,* Madhavan, A., & Cheng, M., In search of liquidity: Block trades in the upstairs and downstairs markets, *The Review of Financial Studies,* 175–203 (1997).

[115] *See* Beason T. & Wahal S., *The Anatomy of Trading Algorithms* (working paper Jan. 21, 2021), *available at https://ssrn.com/abstract=3497001* (retrieved from SSRN Elsevier database).

[116] For example, academic papers have found evidence that high frequency traders and other institutional investors make up a substantial fraction of odd-lot trades. *See, e.g.,* Hardy J., et al., Are All Odd-lots the Same? Odd-lot Transactions By Order Submission and Trader Type, *79 Journal of Banking & Finance,* 1 (2017); O'Hara M., et al., What's Not There: Odd lots and Market Data, *69 Journal of Finance,* 2199 (2014).

[117] *See* Rosenblatt Securities, *A Closer Look at Off-Exchange and Retail Market Share* (November 4, 2021), *available at https://www.rbltresearch.com/ngdox/viewer/fcec4a21-4ab3-4583-8f98-7111bde9cae0* (''Rosenblatt''). In order to arrive at an estimate of the size of the upstairs market, the authors of this report exclude from FINRA's non-ATS OTC data all trading that is unlikely to be upstairs trading, such as OTC closing trade prints and trading by off-exchange venues that they know to not be engaged in upstairs trading, including wholesalers and single-dealer platforms (SDPs). The same report estimated that off-exchange trading made up 44% of total equity trading in October 2021.

[118] *See, e.g.,* Rosenblatt, at 6.

sizes.[119] According to one commenter, the upstairs market provides price discovery and assists in minimizing market impact, particularly for stocks and options that are less liquid or have wider spreads.[120]

As the Exempt Activities have been exempted from CAT reporting requirements, the Commission does not have information related to, and is unable to estimate, the extent to which the Exempt Activities are used in the upstairs market. However, according to one commenter, less than one out of ten thousand orders in the upstairs trading market involve the Exempt Activities.[121] There may be barriers to entry to the upstairs market for market makers in the form of reputational capital.[122] Additionally, there may be barriers to entry to the upstairs market in the form of the costs of setting up the infrastructure for market makers to engage in the Exempt Activities in the upstairs market (such as acquiring email and chat functionalities) however, such costs are likely to be small.

B. Efficiency

The Commission analyzed three types of efficiency impacts from the Proposed Amendment, as modified herein: operational efficiency in terms of CAT operations [123] or the processes for collecting and reporting CAT data; regulatory efficiency in terms of the impact on regulatory activities; and market efficiency in terms of trading and price formation. The Commission expects the Proposed Amendment, as modified herein, to have some impacts on efficiency, some of which may be positive and some of which may be negative. The Commission expects the impacts of the Proposed Amendment, as modified herein, to be different for the upstairs market and for floor trading. Amending the CAT NMS Plan to permanently exclude the Exempt Activities for the upstairs market will result in permanent operational efficiency gains and regulatory efficiency losses. For floor trading, amending the CAT NMS Plan to codify a deadline of July 31, 2030, for reporting the Exempt Activities to the CAT will result in temporary operational efficiency gains and regulatory efficiency losses that will end when the temporary exemption expires on July 31, 2030. However, the Proposed Amendment, as modified herein, is expected to have only minor effects on market efficiency for both the upstairs market and floor trading, as discussed below. A permanent exemption for floor trading would have resulted in marginally more cost savings but with a reduction in regulatory efficiency.

1. Operational Efficiency

a. Upstairs Market

By making the exemption permanent and eliminating the possibility that the Exempt Activities in the upstairs market will be required to be reported, the Proposed Amendment, as modified herein, will incrementally increase operational efficiency, because the Exempt Activities for the upstairs market will not be included in CAT. This means that the Central Repository will not incur the costs of processing and storing the CAT data stemming from the Exempt Activities in the upstairs market. These costs savings, and thus the improvements to operational efficiency, are likely to be small as long as the Exempt Activities in the upstairs market constitute only a relatively small share of overall market activity currently reported to CAT. The Proposed Amendment, as modified herein, will also improve the operational efficiency of CAT by eliminating any potential costs by CAT LLC or the Plan Processor, which could be substantial, in developing technical specifications and providing guidance on which upstairs activities would be required to be recorded and reported.[124]

b. Floor Trading

By extending the temporary exemption for the reporting of the Exempt Activities for floor trading, the Proposed Amendment, as modified herein, will have a small temporary positive impact on operational efficiency. In particular, delaying the CAT reporting requirement for the Exempt Activities for floor trading from July 31, 2026, to July 31, 2030, will delay the costs associated with processing and storing of these data until July 31, 2030, and result in temporary improvements to operational efficiency during this time. These improvements to operational efficiency, are likely to be relatively small because we do not expect that reporting the Exempt Activities for floor trading following the expiration of the exemption on July 31, 2030, will require significantly more processing and storage in the Central Repository relative to current CAT data.

Participants and Industry Members who will eventually be required to record and report the Exempt Activities could also experience an operational efficiency improvement from the delay. In particular, the delay will provide time to explore more efficient solutions to systematize verbal activity so that Participants and Industry Members can collect and report data on the Exempt Activities for floor trading.[125]

The Proposed Amendment would have incrementally improved operational efficiency relative to extending the expiration of the temporary exemption for floor trading because it would have made the exemption permanent and eliminated, rather than delay, the requirement to report the Exempt Activities for floor trading to CAT. Thus, the Proposed Amendment, would have resulted in lower costs associated with processing and storing CAT data because the Exempt Activities for floor trading would never be included in CAT. The Commission believes these cost savings and the resulting improvements to operational efficiency of the CAT would have been small because we expect the Exempt Activities would not require significantly more processing and storage in the Central Repository than current CAT data.

2. Regulatory Efficiency

a. Upstairs Market

The Proposed Amendment, as modified herein, is expected reduce regulatory efficiency with respect to the oversight of trading in the upstairs market. In particular, the Proposed Amendment, as modified herein, represents a potential loss of information in CAT after July 31, 2026, because it will make permanent the current temporary exemption of reporting information about the Exempt Activities to CAT for the upstairs

[119] *See* Rosenblatt, at 7–8.

[120] *See* December 2022 FIF Letter, at 3.

[121] *See* September 2024 FIF Letter, at 5.

[122] For example, academic literature has shown that reputational capital is highly valued among upstairs market makers. *See, e.g.,* Smith, B.F., Turnbull, D.A.S., & White, R.W., Upstairs market for principal and agency trades: Analysis of adverse information and price effects, *The Journal of Finance,* 1723–1746 (2001).

[123] Economically, operational efficiency refers to the effective use of resources to generate a given output. In the case of CAT, the output refers to CAT data, which are generated for regulatory purposes. The analysis of operational efficiency is simplified by focusing on the use of resources as measured by the cost savings, net of implementation costs, whereas the efficiency effects of changes in CAT data are discussed separately (as impacts on regulatory efficiency).

[124] *See supra* Section IV.C for a discussion of additional costs of including the Exempt Activities in the upstairs market because there are no exchange rules that govern when or whether a particular communication by an Industry member is ''firm'' and thus reportable to CAT.

[125] *See* discussion in Section IV.C.1 for further information on how the material terms of verbal orders and quotes are already systematized electronically. This discussion also explains why the costs put forth by CAT LLC appear overstated with respect to the Exempt Activities for floor trading. *See also supra* note 78.

market, which would have been required to be reported after July 31, 2026.[126] The Commission has previously stated that the information about the Exempt Activities would allow regulators to more capably perform regulatory and surveillance functions.[127] The inclusion of this information in CAT would have reduced the effort needed for regulators to engage in regulatory oversight of the upstairs market. This potential loss of efficiency could increase the time and complexity of oversight of the upstairs market relative to having access to the Exempt Activities in the upstairs market in CAT, reducing regulatory efficiency for the upstairs market after July 31, 2026, assuming that recording and reporting such information would eventually be feasible.

The Commission believes that such a potential reduction in regulatory efficiency might be limited for two reasons: the potential avoidance of reportable activity to CAT and, for the activity reported, potential inconsistency and inaccuracy of the Exempt Activities for the upstairs market in CAT data. First, in the absence of an exemption, Industry Members might be incentivized to avoid CAT reporting by increasing their use of non-firm IOIs and other activity that is not reported to CAT in place of the currently Exempt Activities that would be reported to CAT.[128] This would reduce the potential regulatory gain of including the Exempt Activities in the upstairs market in CAT, and thus, reduces the regulatory inefficiencies of not including them.

Second, CAT LLC states that the regulatory value of including the Exempt Activities for the upstairs market in CAT would be limited.[129] In particular, CAT LLC states that such records would be inconsistent and prone to error because recording such information would require human reviewers to make subjective determinations of what to report.[130] The Commission agrees that such inconsistencies and errors could reduce the regulatory value of including the Exempt Activities for the upstairs market in CAT and that this limits the reductions in regulatory efficiency.

The permanent exemption from CAT reporting requirements for the Exempt Activities in the upstairs market could also reduce regulatory efficiency if it incentivizes Industry Members to move activity currently reported to CAT to the upstairs market. In particular, if market participants expected that the Exempt Activities in the upstairs market would eventually require reporting to CAT, the permanent exemption may reduce the perceived costs of the upstairs market relative to alternatives that currently report to CAT. If so, this could result in the movement of some activity to the upstairs market from those alternatives.[131] Such activity would then not be available in CAT data, resulting in a potential increase in the time and effort to engage in certain regulatory activities needing this information, reducing regulatory efficiency.

b. Floor Trading

The Proposed Amendment, as modified herein, is expected to have a small negative impact on regulatory efficiency for floor trading. The Proposed Amendment, as modified herein, will amend the CAT NMS Plan to extend the deadline to July 31, 2030, for the reporting of the Exempt Activities that occur on exchange floors. To the extent that the Exempt Activities would have been required to be reported at the expiration of the current temporary exemption on July 31, 2026, this represents a delay of information in CAT, at least until the expiration of the extended temporary exemption.[132] The Commission has previously stated that the information about the Exempt Activities is valuable for regulatory and surveillance functions and would allow regulators to more capably perform regulatory and surveillance functions.[133] Therefore, the extension delays an improvement in regulatory efficiency.

CAT LLC stated that much of the information of the Exempt Activities is already reported to CAT, including initial customer orders and their resulting trades. The Commission understands, however, that while information regarding the lifecycles of customer orders represented on a floor is included in CAT, information about the market maker quotes that bid and offer to interact with those customer orders is not reported to CAT. In particular, CAT does not include any information about the bids and offers that do not trade against customer orders represented on the floor and does not include all information of value about the bids and offers that do trade against such customer orders. The improved surveillance and commensurate regulatory benefits that would be achieved by having direct and timely access to this activity in CAT will therefore be delayed until July 31, 2030, under the Proposed Amendment, as modified.

The temporary exemption for the Exempt Activities for floor trading may also incentivize Industry Members to continue the use or increase the use of the Exempt Activities in place of activity reportable to CAT,[134] thereby circumventing having to report those activities to CAT. In particular, if some market participants engage in Exempt Activities on trading floors because they are not reportable to CAT (or because it costs less because they are not reportable) instead of an alternative trading activity that requires reporting to CAT, such activity will not be reported to CAT until after the temporary exemption expires. Therefore, the delay in the exemption could delay the inclusion of this activity in CAT and its commensurate improvements to regulatory efficiency.

Despite current technological limitations that may hinder the ability of market participants to report their floor trading activity to CAT, which is scheduled to commence on July 26, 2026, the Proposed Amendment, as amended herein, could nevertheless have a positive impact on regulatory

[126] *See supra* Section IV.C for a discussion of the information that is missing from CAT because of the exemption for the Exempt Activities.

[127] *See supra* note 93, citing the November 2020 Exemptive Order, in which the Commission gave the example that the reporting of firm verbal quotes from floor market makers would allow regulators to determine whether a market maker has ''backed away'' from a firm quote. *See also supra* Section IV.C.2 for a discussion of other use cases for CAT data on the Exempt Activities from the upstairs market.

[128] *See supra* Section IV.C.2, which states that according to CAT LLC and one commenter, without permanent relief from reporting these firm bids and offers, Industry Members would be incentivized to provide non-firm indications of interest to other Industry Members and customers.

[129] *See supra* note 33 and associated text.

[130] *See* Notice, at 67502–03.

[131] *See infra* Section V.C.1, which discusses the impact of the Proposed Amendments, as modified, on the competition and entry in the upstairs market.

[132] *See supra* Section IV.C for a discussion of the information that is missing from CAT because of the exemption for the Exempt Activities.

[133] *See supra* Section V.A; *see also supra* note 93, citing the November 2020 Exemptive Order, wherein the Commission stated that collecting verbal quotes and orders would provide regulatory benefits that do not currently exist. The Commission gave the example that the reporting of firm verbal quotes from floor market makers would allow regulators to determine whether a market maker has ''backed away'' from a firm quote. The Commission also stated that regulators do not have detailed information relating to most verbal quotes and orders, which would allow regulators to more capably perform regulatory and surveillance functions, and that it did not believe it is appropriate to exclude such quotes and orders from CAT reporting, which often are more complex and/or involve larger-sized orders.

[134] For example, Industry Members could increase their use of verbal quotes rather than entering a limit order that would be added to a limit order book.

efficiency if a delay in mandated CAT reporting provides the additional time (and availability of other critical resources) needed for the development of technology that more accurately reflects the Exempt Activities on the floor. Regarding current technological limitations, CAT LLC states that current technology is not sophisticated enough to reliably, accurately, and consistently capture, parse, analyze, and report the Exempt Activities.[135] If the technology available by 2030 can more accurately capture verbal activity than the technology available by 2026, then the extension will promote more accurate data, which promotes regulatory efficiency.

Since the extension of the exemptive relief from CAT reporting requirements for Exempt Activities on trading floors is set to expire on July 31, 2030, the associated regulatory efficiency losses stemming from this extension discussed above will be temporary. In particular, the modification to the Proposed Amendment reduces the regulatory efficiency loss relative to the original proposal, because it will allow regulators to begin accessing CAT data for Exempt Activities on trading floors on July 31, 2030, which would have otherwise been permanently exempt under the Proposed Amendment. Having the information on the Exempt Activities on the floor eventually in CAT data will reduce the potential for regulators to have to request information on such Exempt Activities to the extent that there is a record for them from Participants and Industry Members when needed. This will improve regulatory efficiency. Therefore, the Proposed Amendment, as modified herein, will result in improved regulatory efficiency, relative to the original Proposed Amendment, although this improved efficiency will be delayed until July 31, 2030.

3. Market Efficiency

a. Upstairs Market

The Proposed Amendment, as modified herein, is expected to lead to minor and mixed effects on market efficiency through its application to the upstairs market. In particular, it could promote market efficiency by removing any current incentives to avoid the upstairs market for situations in which the upstairs market provides the most efficient executions or avoiding any increased incentives to avoid the upstairs market in such situations. On the other hand, it could harm market efficiency if it creates incentives to send orders to the upstairs market when doing so is not efficient, such as when it reduces pre-trade transparency.

The Proposed Amendment, as modified, will promote market efficiency if it incentivizes market participants to increase their use of the Exempt Activities in the upstairs market when it is efficient for them to do so. By making the exemption permanent and eliminating the possibility that Exempt Activities in the upstairs market will be required to be reported, the Proposed Amendment, as modified herein, prevents a future cost increase of such activity. If market participants are currently curtailing this activity because of these future cost increases,[136] they may increase such activity when the exemption becomes permanent. An increase in the Exempt Activities in the upstairs market when it is efficient for them to do so, *e.g.,* facilitating block trading in the upstairs market,[137] promotes market efficiency.

In addition, the Proposed Amendment, as modified, promotes efficiency by preventing any increase in incentives to avoid such activity, which could alter market structure and result in worse execution outcomes. CAT LLC and one commenter state that requiring the reporting of the Exempt Activities in the upstairs market to CAT could negatively modify market participant behavior and market structure.[138] Specifically, CAT LLC and this commenter state that without permanent relief from reporting the Exempt Activities in the upstairs market, Industry Members would be incentivized to rely on non-firm IOIs, which could result in reduced execution quality, reduced market liquidity, and potentially disrupt trading. As a result, this could have a negative impact on market efficiency. Making the exemption permanent prevents this potential negative impact, thus promoting efficiency.

On the other hand, making the exemption permanent for the upstairs market could also have a negative impact on market efficiency. The Commission also recognizes that, if the Exempt Activities are used more widely in the upstairs market after the exemption is made permanent and are used in place of non-exempt activities to a greater degree,[139] market efficiency could be affected by a reduction in pre-trade transparency because the Exempt Activities are not disseminated widely to the market, while many non-exempt activities are.[140] For example, to the extent that institutional traders (and their brokers) begin to utilize the services of upstairs trading desks in lieu of smart order routing systems,[141] this would represent a shift away from a system of trading with widely disseminated quotes (*i.e.,* any limit orders routed to national securities exchanges via smart order routers would be disseminated widely to the market through both the SIP and proprietary exchange data products) and towards a system of trading in which quotes are not disseminated in publicly available market data. This would represent a decrease in pre-trade transparency. A decrease in pre-trade transparency may negatively affect the efficiency of the trading process and price discovery, which may lead to lower market and price efficiency.

b. Floor Trading

The Proposed Amendment, as modified herein, is expected to lead to mixed and minor effects on market efficiency for floor trading. By extending the temporary exemption for the Exempt Activities for floor trading, the Proposed Amendment, as modified herein, would delay the costs of CAT Reporting, which may lead market participants to increase their use of the Exempt Activities for floor trading when it is efficient for them to do so. This could have a positive impact on market efficiency. However, because extending the temporary exemption only delays the requirement to report the Exempt Activities for floor trading, the impact, if any, will be minor.

The Proposed Amendment would have incrementally improved market efficiency relative to extending the

[135] *See* Notice, at 67500.

[136] *See* September 2024 FIF Letter, at 2–4. *See also supra* note 54 and associated text.

[137] For example, one commenter stated that the upstairs market provides an important function for minimizing market impact and facilitating price discovery. *See* December 2022 FIF Letter, at 3. While the opportunity to reduce price impact is particularly beneficial to market participants seeking to execute large trades, any improvement in price discovery provides market-wide efficiency gains that accrue to a wide array of market participants.

[138] *See supra* Section IV.C.2 for further discussion.

[139] Either in response to the exemption being made permanent or in response to changing market structure and conditions in conjunction with the fact that the Exempt Activities are not required to be reported to CAT.

[140] For example, an Exempt Activity could be a bilateral negotiation between two parties through messages in a chat that only the two parties can see. To the extent that, as a result of the Proposed Amendment, these parties begin to make use of such bilateral negotiations instead of, *e.g.,* submitting quotes to public markets, this could reduce pre-trade transparency.

[141] The usage of the upstairs market does not have to be due to the Exempt Activities not being required to be reported to CAT, it could be due to other factors, *e.g.,* changes in market structure or market conditions that favor the upstairs market.

expiration of the temporary exemption for floor trading because it would have made the exemption permanent and eliminated, rather than delay, the requirement to report the Exempt Activities for floor trading to CAT. Thus, the Proposed Amendment could have led market participants to increase their use of the Exempt Activities when it is efficient for them to do so permanently rather than at some point limiting or reducing their use of the Exempt Activities in response to the expiration of the extension on July 31, 2030.

On the other hand, the Commission recognizes that some market participants may have believed that the Commission would provide a permanent exemption for floor activities. As such, the modified proposal, which only provides a temporary exemption, may increase the incentive of some market participants to continue using non-exempt activities instead of switching towards floor trading. This, in turn, could help prevent a reduction in pre-trade transparency because the Exempt Activities are not disseminated widely to the market, while many non-exempt activities are.[142] An increase in pre-trade transparency may positively affect the efficiency of the trading process and price discovery, which may lead to greater market and price efficiency.

C. Competition

The Commission analyzed the potential impact from the Proposed Amendment on competition in the financial markets. The Commission expects the Proposed Amendment, as modified herein, to provide small competitive advantages to the upstairs market and floor trading relative to alternatives to these two trading venues, such as electronic exchange limit order books in the case of floor trading, and smart order routers or ATSs in the case of the upstairs market.[143] In addition, in reducing the operating costs of CAT, these cost savings will marginally reduce the competitive advantages and disadvantages inherent in the CAT Funding Model.[144]

1. Upstairs Market

Overall, the Commission expects small impacts on competition resulting from the permanent exemption for the upstairs market, because market participants already use Exempt Activities under the current temporary exemption for the upstairs market, and the costs associated with building out infrastructure with which to conduct Exempt Activities in the upstairs market are likely not to be large as to prohibit market participants from pursuing profitable opportunities.[145]

By permanently exempting Exempt Activities and eliminating the possibility that the Exempt Activities will be required to be reported for the upstairs market, the Proposed Amendment, as modified herein, could provide a competitive advantage for Exempt Activities in the upstairs market relative to other alternatives and could also increase the competition within the upstairs market. In particular, the Exempt Activities in the upstairs market will not incur the costs of CAT reporting. Having lower costs could put the upstairs market at a competitive advantage. In addition, not having to incur the costs of CAT reporting of the Exempt Activities could reduce the costs of entry into the upstairs market, though this cost reduction could be small relative to other costs of entry.[146]

2. Floor Trading

Overall, the Commission expects small impacts on competition due to the extension of the temporary exemption for floor trading. By extending the temporary exemption for the Exempt Activities and thus delaying costs, the Proposed Amendment, as modified herein, could provide a competitive advantage in floor trading relative to alternatives and could increase the competition to provide floor trading. While the extension could encourage or temporarily continue the encouragement of floor trading relative to alternatives that report to CAT, market participants already use the Exempt Activities under the current temporary exemption and the costs associated with building out infrastructure with which to conduct additional Exempt Activities on trading floors is likely to be small in most cases.[147]

The Proposed Amendment would have incrementally improved the competitive advantage of floor trading relative to extending the expiration of the temporary extension for floor trading because it would have made the exemption permanent and eliminated, rather than delayed, the requirement to report the Exempt activities for floor trading to CAT. Thus, the Proposed Amendment might have increased the competition in floor trading as well as make floor trading more competitive relative to alternative trading venues permanently rather than until the expiration of the extension on July 31, 2030.

D. Capital Formation

CAT LLC states that the savings and cost avoidance opportunities under the Proposed Amendment will ''inure to the benefit of all participants in the markets for NMS Securities and OTC Equity Securities, including Participants, Industry Members, and most importantly, the investors.'' [148] The Commission expects the Proposed Amendment, as modified herein, to have a mixed effect on capital formation. It will promote capital formation by improving operational efficiency due to a reduction or delay in costs, with the greater cost reduction for the Exempt Activities in the upstairs market.[149] However, the mixed effects of the Proposed Amendment, as modified,

[142] Verbal quotes on the trading floor are not reported to the SIP and therefore provide less pre-trade transparency relative to the limit order book, wherein all quotes are reported to the SIP.

[143] *See supra* Section V.A.2.a for a discussion of the market that exchange floor trading competes in. *See also supra* Section V.A.2.b for a discussion of the market that upstairs trading competes in.

[144] *See* Securities Exchange Act Release No. 98290 (Sep. 6, 2023), 88 FR 62628 (Sep. 12, 2023). *See also* Securities Exchange Act Release No. 101901 (Dec. 12, 2024), 89 FR 103033 (Dec. 18, 2024). For example, the permanent exemption for the upstairs market under the Proposed Amendment, as modified herein, will allow Participants to potentially avoid certain potential costs that would be distributed through the CAT Funding Model. Examples of these include the potential cost of filing for future extensions as well as any potential cost associated with future extensions (*e.g.,* in the prior November 2020 and July 2023 Exemptive Orders, Participants were required to submit a written status update on the reporting of Exempt Activities).

[145] The costs for physical infrastructure, such as phone lines, chats, and other forms of electronic communication methods, are likely to be small in most cases. However, because the upstairs market relies on relationships, the largest costs could come from hiring employees who have connections and relationships that allow them to be efficient and competitive in the upstairs market.

[146] Some cost components of entry in the upstairs market are likely to be relatively low, such as acquiring email and chat functionalities. However, the overall cost of entry, including the opportunity cost of deploying human and other resources to the upstairs market instead of other potentially profitable ventures and the cost of acquiring reputational capital, are likely to far outweigh CAT reporting costs of the Exempt Activities. *See, e.g., supra* note 116 and associated text for a discussion of the costs of reputational capital. In addition, the Exempt Activities may comprise only a small fraction of the overall upstairs market, highlighting the relatively low cost of CAT reporting compared to the overall costs of entry and operation in the upstairs market. For example, according to one commenter, less than one out of ten thousand orders in the upstairs trading market involve the Exempt Activities. *See* September 2024 FIF Letter, at 5. Nevertheless, any reduction in costs may encourage entry in the upstairs market for firms that were previously considering entry. *See also supra* Section V.A.2.b for discussion of entry costs in the upstairs market.

[147] *See supra* note 145 for further discussion.

[148] *See* Notice, at 67504.

[149] *See supra* Section IV.C.2 for a discussion of technological and other challenges involved in reporting activity in the upstairs market.

on market efficiency will in turn result in mixed effects on capital formation.[150] In contrast, the negative impact on regulatory efficiency [151] will negatively impact capital formation if it reduces the ability of regulators to perform surveillance and other functions. This could reduce investor confidence in the markets, leading to an increase in the cost of capital. However, as the impact of the Proposed Amendment, as modified herein, on regulatory efficiency is expected to be limited,[152] the impact of a reduction in regulatory efficiency on capital formation is also expected to be limited.

Compared to the Proposed Amendment, as modified herein, the Proposed Amendment would have had additional or dampening effects on capital formation through its differential effects on cost reduction, market efficiency, and regulatory efficiency, which are discussed in previous sections. For example, the additional cost reduction would have resulted in a larger positive effect on capital formation, though still not large; [153] the mixed effects on market efficiency would still have resulted in a mixed effect on capital formation; [154] and the reduced regulatory efficiency would have resulted in a larger reduction in capital formation.[155]

VI. Conclusion

For the reasons set forth above, the Commission finds that the Proposed Amendment, as modified herein, is consistent with the requirements of Section 11A and Rule 608 thereunder, in that the Proposed Amendment, as modified herein, is 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 mechanisms of a national market system, or otherwise in furtherance of the purposes of the Exchange Act.

[150] *See supra* Section V.B.3 for a discussion of the impact of the Proposed Amendments, as modified, on market efficiency.

[151] *See supra* Section V.B.2 for a discussion of the regulatory inefficiencies related to the lack of information about the Exempt Activities in CAT data.

[152] *See id.*

[153] *See supra* Section V.A.2.a for a discussion of potential CAT-reporting costs that would be incurred by floor brokers under the Proposed Amendment, as modified. Such costs would not be incurred under the Proposed Amendment.

[154] *See supra* Section V.B.3 for a discussion of the impact of the Proposed Amendment on market efficiency.

[155] *See supra* Section V.B.2 for a discussion of the impact of the Proposed Amendment on regulatory efficiency.

It is therefore ordered, pursuant to Section 11A of the Exchange Act,[156] and Rule 608(b)(2) thereunder,[157] that the Proposed Amendment (File No. 4–698), as modified herein, be, and hereby is, approved.

By the Commission.

Stephanie J. Fouse,

Assistant Secretary.

Appendix A

Approved Revisions to the CAT NMS Plan

Additions *italicized*; deletions [bracketed]

* * * * *

Article VI

Functions and Activities of CAT System

* * * * *

Section 6.3. Data Recording and Reporting by Participants.

* * * * *

(d) *Participant Data.* Subject to Section 6.3(c), and Appendix D, Reporting and Linkage Requirements, and in accordance with the Technical Specifications, each Participant shall record and electronically report to the Central Repository the following details for each order and each Reportable Event *(subject to the exclusions outlined in Section 6.3(g)),* as applicable (''Participant Data''):

* * * * *

(g) Verbal Activity, Floor and Upstairs Activity. Notwithstanding any other provision of SEC Rule 613 or the CAT NMS Plan, the following categories of data shall not be reportable to the Central Repository under Section 6.3(d):

(i) until July 31, 2030, floor broker verbal announcements of firm orders on an exchange that are otherwise reported as systematized orders;

(ii) until July 31, 2030, market maker verbal announcements of firm quotes on an exchange trading floor;

(iii) telephone discussions between an Industry Member and a client that may involve firm bid and offer communications; and

(iv) unstructured electronic and verbal communications that are not currently captured by Industry Member order management or execution systems (e.g., electronic chats, text messages).

* * * * *

Section 6.4. Data Recording and Reporting by Industry Members.

* * * * *

(d) *Required Industry Member Data.*

(i) Subject to Section 6.4(c) and Section 6.4(d)(iii) with respect to Options Market Makers, and consistent with Appendix D, Reporting and Linkage Requirements, and the Technical Specifications, each Participant shall, through its Compliance Rule, require its Industry Members to record and electronically report to the Central Repository for each order and each Reportable Event the information referred to in Section 6.3(d) *(subject to the exclusions outlined in Section 6.3(g)),* as applicable (''Recorded Industry Member Data'').

* * * * *

[156] 15 U.S.C. 78k–1.

[157] 17 CFR 242.608.

[FR Doc. 2025–11331 Filed 6–18–25; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–103274; File No. SR–CboeBZX–2025–059]

Self-Regulatory Organizations; Cboe BZX Exchange, Inc.; Notice of Designation of a Longer Period for Commission Action on a Proposed Rule Change Related to the 2x Long VIX Futures ETF and the –1x Short VIX Futures ETF

June 16, 2025.

On March 21, 2025, Cboe BZX Exchange, Inc. (''BZX'' or ''Exchange'') 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 certain representations relating to the 2x Long VIX Futures ETF and the –1x Short VIX Futures ETF, shares of which have been approved by the Commission to list and trade on the Exchange as Trust Issued Receipts pursuant to BZX Rule 14.11(f)(4). The proposed rule change was published for comment in the **Federal Register** on May 9, 2025.[3] The Commission has not received any comments regarding the proposed rule change.

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 June 23, 2025. 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

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Securities Exchange Act Release No. 102991 (May 5, 2025), 90 FR 19741.

[4] 15 U.S.C. 78s(b)(2).