

March 24, 2025

**VIA EMAIL (tradingandmarkets@sec.gov)**

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

Re: Request for Exemption from Certain Provisions of the National Market System Plan Governing the Consolidated Audit Trail Related to Timestamp Granularity

Dear Ms. Countryman:

Consolidated Audit Trail, LLC (“CAT LLC”), on behalf of the Participants<sup>1</sup> in the National Market System Plan Governing the Consolidated Audit Trail (“CAT NMS Plan” or “Plan”),<sup>2</sup> respectfully requests that the Securities and Exchange Commission (“Commission” or “SEC”) provide exemptive relief pursuant to the Commission’s authority under Section 36 of the Securities Exchange Act of 1934 (“Exchange Act”)<sup>3</sup> and Rule 608(e) of Regulation NMS under the Exchange Act<sup>4</sup> from certain requirements relating to the granularity of timestamps accepted by the CAT system under Section 6.8(b) and Appendix D, Section 3 of the CAT NMS Plan.

Specifically, for the reasons set forth below, CAT LLC requests that the Commission extend the current exemptive relief in its order dated April 8, 2020 (the “April 2020 Exemption Order”),<sup>5</sup> which is scheduled to expire on April 8, 2025, for an additional five-year period. Under the current exemption, CAT Reporters whose order handling or execution systems capture timestamps in increments more granular than nanoseconds must truncate the timestamps after the

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<sup>1</sup> The twenty-six Participants of the CAT NMS Plan are: 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. (“FINRA”), Investors Exchange LLC, Long-Term Stock Exchange, Inc., MEMX LLC, Miami International Securities Exchange LLC, MIAX Emerald, LLC, MIAX PEARL, LLC, MIAX Sapphire, 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.

<sup>2</sup> The Limited Liability Company Agreement of Consolidated Audit Trail, LLC is the CAT NMS Plan. Unless otherwise noted, capitalized terms are used as defined in Rule 613, in the CAT NMS Plan, or in this letter.

<sup>3</sup> See 15 U.S.C. § 78mm(a)(1), which provides, in relevant part, that the “Commission, by rule, regulation, or order, may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of this title or of any rule or regulation thereunder, to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.”

<sup>4</sup> See 17 CFR § 242.608(e), which provides that “[t]he Commission may exempt from the provisions of this section, either unconditionally or on specified terms and conditions, any self-regulatory organization, member thereof, or specified security, if the Commission determines that such exemption is consistent with the public interest, the protection of investors, the maintenance of fair and orderly markets and the removal of impediments to, and perfection of the mechanisms of, a national market system.”

<sup>5</sup> Exchange Act Release No. 88608 (Apr. 8, 2020), 85 Fed. Reg. 20743 (Apr. 14, 2020) (“April 2020 Exemption Order”), <https://www.sec.gov/files/rules/exorders/2020/34-88608.pdf>.

nanosecond level for submission to CAT. The requested relief would maintain the status quo with regard to timestamp granularity currently reported to CAT.

Absent an extension of the current relief, expanding the capture of timestamp granularity to picoseconds<sup>6</sup> by the Plan Processor would impose costs of approximately \$900,000 to \$1,100,000 with little or no regulatory benefit.

CAT LLC and the Plan Processor have undertaken significant efforts to control CAT costs, but many of these efforts—including this requested relief—require Commission action to permit their implementation. Without the requested relief, approximately \$900,000 to \$1,100,000 in additional CAT costs would be imposed on the Participants and Industry Members without any corresponding regulatory benefit. While the Commission does not bear any CAT costs, the Commission’s objective should be to ensure the CAT achieves its regulatory objectives in an efficient and cost-effective manner. Extending the current exemption would avoid substantial unnecessary costs while preserving the existing timestamp reporting framework of the CAT.

## **I. Background**

### **A. CAT NMS Plan Reporting Requirements**

The CAT NMS Plan sets forth certain requirements regarding the granularity of timestamps for the CAT. Specifically, Section 6.8(b) of the CAT NMS Plan states “[e]ach Participant shall, and through its Compliance Rule shall require its Industry Members to, report information required by SEC Rule 613 and this Agreement to the Central Repository in milliseconds,” but that “[t]o the extent that any Participant’s order handling or execution systems utilize timestamps in increments finer than the minimum required in this Agreement, such Participant shall utilize such finer increment when reporting CAT Data to the Central Repository so that all Reportable Events reported to the Central Repository can be adequately sequenced.”<sup>7</sup> Section 6.8(b) further states that “each Participant shall, through its Compliance Rule: (i) require that, to the extent that its Industry Members utilize timestamps in increments finer than the minimum required in this Agreement in their order handling or execution systems, such Industry Members shall utilize such finer increment when reporting CAT Data to the Central Repository.” In addition, Section 3 of Appendix D of the CAT NMS Plan states that the Central Repository must be able to “[a]ccept time stamps on order events handled electronically to the finest level of granularity captured by CAT Reporters.”

Additionally, Section 6.8(c) of the CAT NMS Plan provides “[i]n conjunction with Participants’ and other appropriate Industry Member advisory groups, the Chief Compliance Officer shall annually evaluate and make a recommendation to the Operating Committee as to

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<sup>6</sup> A picosecond is equal to 1/1000 nanoseconds. A picosecond is equal to one trillionth of a second (or 10<sup>-12</sup> seconds). A nanosecond is equal to one billionth of a second (or 10<sup>-9</sup> seconds).

<sup>7</sup> Notwithstanding other requirements of Section 6.8(b), the CAT NMS Plan provides that Participants and Industry Members are permitted to record and report Manual Order Events and the time of allocation on Allocation Reports in increments up to and including one second. *See* CAT NMS Plan Section 6.8(b).

whether industry standards have evolved such that: . . . (ii) the required time stamp in Section 6.8(b) should be in finer increments.”

B. April 2020 Exemption Order

The April 2020 Exemption Order granted a five-year exemption from the requirement that timestamps be reported to the finest level of granularity captured by CAT Reporters pursuant to Section 6.8(b) and Section 3 of Appendix D of the CAT NMS Plan.<sup>8</sup> As a condition to this exemption: (1) if a Participant captures timestamps in increments more granular than nanoseconds, such Participant would truncate the timestamp after the nanosecond level for submission to CAT;<sup>9</sup> (2) the Participants, through their Compliance Rules, will require Industry Members that capture timestamps in increments more granular than nanoseconds to truncate the timestamps after the nanosecond level for submission to CAT;<sup>10</sup> and (3) the Central Repository will be required to accept timestamps on order events handled electronically to a nanosecond granularity.

Notably, the April 2020 Exemption Order does not affect the minimum timestamp granularity requirement of one millisecond under the CAT NMS Plan;<sup>11</sup> rather, it requires CAT Reporters that utilize finer increments to truncate the timestamp after the nanosecond level.

**II. Request for Exemption**

CAT LLC requests that the Commission extend the relief under the April 2020 Exemption Order, which is scheduled to expire on April 8, 2025, for an additional five-year period.

Specifically, consistent with the relief granted in the April 2020 Exemption Order, the Participants request that the Commission exempt the Participants from the requirement in Section 6.8(b) of the CAT NMS Plan that Participants reporting CAT Data to the Central Repository utilize timestamps finer than nanoseconds to the extent that the Participant’s order handling or execution systems utilize timestamps in increments finer than nanoseconds. As a condition to this exemption, if a Participant captures timestamps in increments more granular than nanoseconds, such Participant would truncate the timestamp after the nanosecond level for submission to CAT, not round up or down in such circumstances. In addition, the Participants request that the Commission exempt the Participants from the requirement in Section 6.8(b) of the CAT NMS Plan for each Participant, through its Compliance Rule, to require that, to the extent that its Industry Members utilize timestamps in increments finer than nanoseconds in their

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<sup>8</sup> The Commission issued the April 2020 Exemption Order in response to the Participants’ exemption request dated February 3, 2020. See Letter from the Participants to Vanessa Countryman, Secretary, Commission, dated February 3, 2020, <https://www.catnmsplan.com/sites/default/files/2020-03/Simon-to-Countryman-Timestamp-Granularity-and-Relationship-IDs-%28Final%202.3.20%29.pdf>.

<sup>9</sup> Timestamps are truncated, not rounded up or down. Rounding a timestamp would suggest an event occurred later or earlier than it actually occurred, while truncation treats all timestamps as if they were provided with the same level of granularity.

<sup>10</sup> See, e.g., FINRA Rule 6860(a)(2).

<sup>11</sup> See CAT NMS Plan Section 6.8(b); Rule 613(d)(3).

order handling or execution systems, such Industry Members utilize such finer increment when reporting CAT Data to the Central Repository. As a condition to this exemption, the Participants, through their Compliance Rules, will require Industry Members that capture timestamps in increments more granular than nanoseconds to truncate the timestamps, after the nanosecond level for submission to CAT, not round up or down in such circumstances. Lastly, the Participants request that the Commission exempt the Participants from the requirement in Section 3 of Appendix D of the CAT NMS Plan for the Central Repository to be able to accept timestamps on order events handled electronically to the finest level of granularity captured by CAT Reporters. As a condition to this exemption, the Central Repository will be required to accept timestamps on order events handled electronically to a nanosecond granularity. In addition, the Participants request that the above timestamp granularity exemptive relief remain in effect for five years from the date that the Commission grants the exemptive relief. After five years, the timestamp granularity exemptive relief would no longer be in effect.

The Participants continue to believe that the costs of providing the ability to utilize timestamps in the CAT in a finer granularity than nanoseconds continue to outweigh the benefits. Based on discussions with the Plan Processor, expanding the capture of timestamp granularity to picoseconds by the Plan Processor would take at least six to nine months at an estimated cost of approximately \$900,000 to \$1,100,000. This effort would include, in addition to Technical Specification and database modifications, modifying query tools to support querying and sequencing at a picosecond granularity.

The Participants continue to believe that CAT Reportable Events can be adequately sequenced in the CAT without requiring timestamps in a finer granularity than nanoseconds, and that the requested relief would serve to preserve the reliability and accuracy of the data reported to the Central Repository. Section 6.8(b) of the CAT NMS Plan explains that the rationale for reporting timestamps to the finest level of granularity captured by CAT Reporters is “so that all Reportable Events reported to the Central Repository can be adequately sequenced.” However, the CAT NMS Plan separately requires Industry Members to synchronize their clocks to within 50 milliseconds of the time maintained by the National Institute of Standards and Technology (NIST).<sup>12</sup> Because of this permitted drift, any two separate clocks can vary by 100 milliseconds; therefore, requiring timestamps in finer granularity than nanoseconds would not improve the ability to sequence events with any reasonable degree of reliability or otherwise enhance regulatory use versus the status quo.<sup>13</sup>

In addition, the Participants continue to understand that exchanges currently utilize timestamps only to the nanosecond and do not utilize timestamps to picoseconds or to finer increments. Accordingly, extending the current relief would preserve the collection of information that is at least as granular as existing data sources.

Finally, as part of the annual evaluation required pursuant to Section 6.8(c) of the CAT NMS Plan, the Chief Compliance Officer has conducted an annual analysis of timestamp granularity since the adoption of the April 2020 Exemption Order. To date, the Chief

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<sup>12</sup> See CAT NMS Plan Section 6.8(a)(ii).

<sup>13</sup> One millisecond is equal to 1,000,000 nanoseconds.

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Compliance Officer has concluded that accepting timestamps in granularity up to nanoseconds is consistent with industry practices and provides adequate granularity for regulator use.<sup>14</sup>

For these reasons, the Participants request that the Commission extend the current exemption to permit CAT Reporters to report, and the Central Repository to accept, timestamps in granularity up to nanoseconds for an additional five-year period as specifically described above.

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Respectfully submitted,

/s/ Brandon Becker

Brandon Becker  
CAT NMS Plan Operating Committee Chair

cc: The Hon. Mark T. Uyeda, Acting Chairman  
The Hon. Hester M. Peirce, Commissioner  
The Hon. Caroline A. Crenshaw, Commissioner  
Hugh Beck, Senior Advisor for Regulatory Reporting  
David Saltiel, Acting Director, Division of Trading and Markets  
David S. Shillman, Associate Director, Division of Trading and Markets  
David Hsu, Assistant Director, Division of Trading and Markets  
Mark Donohue, Senior Policy Advisor, Division of Trading and Markets  
Erika Berg, Special Counsel, Division of Trading and Markets  
Andrew Sherman, Special Counsel, Division of Trading and Markets

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<sup>14</sup> An annual analysis of timestamp granularity would continue be required under Section 6.8(c) during each of the five years of the requested exemption and thereafter. If the Operating Committee determines that this analysis concludes that the benefit of the CAT Reporters reporting, and the Central Repository providing the ability to accept, timestamps in finer granularity than nanoseconds outweighs the burdens, then the timestamp exemption could be terminated or be revised to reflect more granular timestamps than nanoseconds in accordance with the analysis.