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A Leaner CAT for 2026: SEC Mulls Proposed $55–$73 Million Cost Reduction

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After years of concern over the cost of the consolidated audit trail (CAT), Consolidated Audit Trail, LLC (CAT LLC) proposed a sweeping amendment that could reduce annual CAT operating expenses by as much as $73 million. On December 18, 2025, CAT LLC submitted to the Securities and Exchange Commission (SEC) a proposed amendment to the National Market System Plan Governing the Consolidated Audit Trail (the CAT NMS Plan) designed to materially reduce the ongoing costs of operating the CAT. The proposal (2025 Cost Savings Amendment) reflects a recalibrated approach to cost reduction following extensive industry feedback and prior SEC action.

Based on current estimates, CAT LLC anticipates that the 2025 Cost Savings Amendment could reduce CAT operating costs by approximately $55 to $73 million annually, relative to the CAT's current annual operating budget of approximately $188 million, without compromising the CAT's core regulatory objectives. These cost savings estimates are inclusive of, and not additive to, potential cost savings related to the cost savings exemptive order adopted in September 2025.[1] Several components of this amendment codify or expand elements of that exemptive relief, and these savings are consolidated to avoid double-counting.

Background and Structure of the Proposal

The 2025 Cost Savings Amendment builds on a series of prior CAT-related amendments, exemptive orders, and no-action relief aimed at improving the efficiency and cost profile of the CAT while preserving its role as a comprehensive regulatory audit trail.[2]

The 2025 Cost Savings Amendment continues a pattern of significant cost reductions. Among other things, in December 2024, the SEC approved a cost savings amendment permitting more efficient processing of options market maker quotes,[3] which was originally estimated to save approximately $20 million annually but has achieved approximately $30 million in first-year savings.

Reducing CAT Costs Without Undermining Regulatory Functionality

CAT LLC frames the 2025 Cost Savings Amendment as part of a broader effort to ensure that the CAT operates on a sustainable and proportionate cost basis. While prior cost-saving initiatives have already reduced the CAT's 2025 budget from approximately $249 million to $188 million, CAT LLC concluded that these additional, structural cost reductions require SEC approval.

From the Original Proposal to the 2025 Cost Savings Amendment

CAT LLC initially developed an Original CAT LLC Proposal, an earlier cost reduction framework presented to certain industry members for feedback prior to filing the 2025 Cost Savings Amendment, which was projected to generate $70 to $90 million in annual savings. Designed to maximize cost savings, that proposal included, among other things, full elimination of the CAT Customer & Account Information System (CAIS) and the CAT Customer ID (CCID), as well as a reduction in the linkage processing timeline from four days to two days.

Following discussions with industry groups and advisory committees, CAT LLC determined that these components, while significant drivers of cost savings, would impose substantial compliance burdens on industry members. CAT LLC notes that not all industry members share the same views on these proposals. Some industry members believe regulators should not have the ability to identify a market participant's trading activity across multiple CAT reporters and would support the full elimination of the CCID. Meanwhile, many others support the continued use of CCIDs, particularly under a reference data model approach.

As a result, CAT LLC modified the proposal and advanced the 2025 Cost Savings Amendment instead.

The Seven Components of the 2025 Cost Savings Amendment

The 2025 Cost Savings Amendment consists of seven discrete measures, six of which mirror components of the original proposal:

Component	Summary of Proposed Change	Estimated Annual Cloud Hosting Savings
Interim CAT-Order-ID Amendment	CAT LLC proposes to amend the CAT NMS Plan to eliminate the requirement to generate an interim CAT-Order-ID on a routine, ongoing basis. Instead, the Plan Processor would generate interim CAT-Order-IDs only upon request by senior officers of the SEC, while continuing to provide final CAT-Order-IDs by T+5.	$2–$3 million
Data Storage Amendment	CAT LLC proposes to reduce CAT data retention periods by permitting deletion of certain categories of CAT Data, including CAT Data older than three years, Options Market Maker quotes older than six months, Interim Operational Data older than 15 days, and certain Options SIP Data older than six months. The proposal expands upon prior exemptive relief granted by the SEC and reflects CAT LLC's view that shorter retention periods would not impair regulators' ability to oversee the markets.	$23.5–$32 million

Component	Summary of Proposed Change	Estimated Annual Cloud Hosting Savings
Late Data Re-Processing Amendment	The proposal would eliminate re-processing of late-submitted CAT data after final lifecycle assembly. CAT LLC explains that late data re-processing drives substantial compute costs while providing limited incremental regulatory benefits, given the CAT's role as a historical audit trail rather than a real-time system.	$14–$19 million
OTQT Amendment	CAT LLC proposes to eliminate the Online Targeted Query Tool (OTQT), which allows regulators to run certain targeted queries against CAT data. According to CAT LLC, OTQT generates relatively low usage compared to its ongoing operational and cloud costs, and its elimination would not meaningfully impair regulators' access to CAT data through other available tools.	$2.5–$3.5 million
Rejected Message Amendment	The proposal would eliminate the requirement for Participants and industry members to report rejected messages to the CAT. CAT LLC states that rejected messages have limited regulatory utility relative to their processing and storage costs	$0.5 million

Component	Summary of Proposed Change	Estimated Annual Cloud Hosting Savings
	and that eliminating this reporting requirement would reduce CAT system complexity.	
Data Availability Amendment	CAT LLC proposes adopting a more cost-efficient timeline for data availability to regulators by adjusting certain CAT processing and availability requirements. The amendment is intended to align regulatory access with the CAT's historical audit trail purpose while reducing infrastructure costs associated with accelerated availability.	$1.5–$2 million
Reference Data Amendment	Instead of fully eliminating CAIS and CCIDs, CAT LLC proposes a reference-data-based approach for generating CCIDs that would retain the identifier while reducing associated system costs. CAT LLC adopted this approach in response to industry feedback indicating that many industry members support continued use of CCIDs, while still achieving meaningful cost savings compared to the current framework.	$4–$6 million

In addition to cloud hosting cost savings described in the table above, the 2025 Cost Savings Amendment would reduce total Plan Processor operating fees from the current $54 million to approximately $47 million (a $7 million reduction).

Implementation Timelines and One-Time Costs

The Plan Processor estimates the following one-time implementation costs and timelines:

Amendment	Estimated One-Time Implementation Cost	Estimated Implementation Timeline
Interim CAT-Order-ID Amendment	$225,000	6–8 weeks
Data Storage Amendment	$165,000–$265,000	3–4 months
Late Data Re-Processing Amendment	$250,000–$500,000	2–4 months
OTQT Amendment	$135,000	8–10 weeks
Rejected Message Amendment	$75,000–$150,000	2–4 months
Data Availability Amendment	$200,000–$400,000	3–6 months
Reference Data Amendment	$2.5–$3.5 million	9–12 months

Request for Comment and Next Steps

The SEC is soliciting public comment on the 2025 Cost Savings Amendment. Notably, CAT LLC has explicitly stated that while it is proposing the modified seven-component amendment based on industry feedback, it "urges the Commission to request comment and quantitative data from industry members on the relative cost and benefits of the Original CAT LLC Proposal versus this 2025 Cost Savings Amendment." CAT LLC further notes that "the Participants can satisfy their self-regulatory obligations were the Commission to determine to maximize CAT costs savings and modify this amendment to incorporate the Original CAT LLC Proposal," referencing the SEC's authority under Regulation NMS Rule 608 to modify proposed amendments.

CAT LLC has specifically urged the SEC to seek quantitative feedback from industry members on two issues raised, but not adopted, in the final proposal: whether industry members support continued use of CCIDs under a reference data model or would favor full elimination; and whether reducing the linkage processing timeline from four days to two days is feasible without adversely affecting compliance and operational metrics.

The Proposal is available here.

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1 Exchange Act Release No. 104144 (Sept. 30, 2025), 90 Fed. Reg. 47853 (Oct. 2, 2025).

2 For further discussion of these items, see these prior Katten *Quick Reads* posts, available here and here.

3 Exchange Act Release No. 101901 (Dec. 12, 2024), 89 Fed. Reg. 103033 (Dec. 18, 2024).

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