

SEC Adopts Rule Requiring Consolidated Audit Trail

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On July 11, 2012, the SEC adopted a rule requiring the national securities exchanges and FINRA to jointly propose and implement a plan that would require these organizations and their members to report, into one consolidated audit trail (the “CAT”), comprehensive information about every material event in the lifecycle of every quote, order, and execution in all exchange-listed stocks and options. When implemented, the CAT will revolutionize the way the SEC and the self-regulatory organizations oversee the securities markets by providing a searchable database of detailed time-sequenced (to the millisecond) information—including customer identity—with respect to every secondary market order and quote. This improved market oversight, however, comes at the cost of extensive new reporting obligations on market participants, untold costs for marketwide systems and technological upgrades, and the risk of leakage or misuse of highly confidential personal and business information.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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