

February 19, 2026

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

Re: Revenue Allocation Amendment to the CT Plan)

(Third Amendment to the CT Plan)

Dear Ms. Countryman:

On behalf of the Members of the CT Plan LLC (the "CT Plan"),<sup>1</sup> enclosed please find the third amendment to the CT Plan.

The above-captioned amendment proposes revisions to the provisions of the CT Plan that govern the allocation of net revenues received under the CT Plan among the Members. Specifically, the proposed amendment would impose a limit, or “cap,” on the ratio of revenue distributed to each individual Member that is attributable to its quoting activity compared to revenue such Member receives for trading activity under the revenue formula.

In the following paragraphs, the Members respond to those requirements of Rules 608(a) and 601(a) of Regulation NMS that apply to the amendments to the CT Plan.

A. Rule 608(a)

1. Purpose of the Amendments

The purpose of the amendment is to revise provisions of the CT Plan that govern the allocation of net revenues received under the CT Plan among the Members. Specifically, the proposed amendment would impose a limit, or “cap,” on the ratio of revenue distributed to each individual Member that is attributable to its quoting activity compared to revenue such Member receives for trading activity under the revenue formula.

**Background**

In recent years, the Members have observed a distinct pattern on some markets of quoting and trading activity, characterized by frequent or continuous quoting at the national best bid and offer—often in size and in high-priced securities—accompanied by relatively little increase in the level of trading activity on those venues. When this pattern has arisen, it has resulted in

<sup>1</sup> LTSE does not join in the submission of this amendment.

extreme distortions in how quote-based revenues are allocated among the Members, compared to trade-based revenues.

This phenomenon became particularly evident on the NYSE Chicago exchange (now NYSE Texas), beginning in 2021, and remained largely confined to NYSE Chicago until late 2024. Public data from 2021 to 2024 shows that NYSE Chicago exhibited quote-to-trade ratios on Tapes A and C significantly higher than any historical norm—often exceeding 20:1. Beginning in October 2024, a similar pattern began to be evidenced on the Long-Term Stock Exchange (“LTSE”), closely coinciding with a marked reduction in quoting activity on NYSE Chicago. As a result of this late-year change in quoting activity on LTSE, its quote-to-trade ratio *for all of 2024* was approximately 107:1 on Tape A, 70:1 on Tape B, and 88:1 on Tape C. By comparison, from 2018 through the present, Members typically have maintained quote-to-trade ratios substantially less than 5:1, and allocations in excess of that ratio have historically occurred only under exceptional circumstances, such as the temporary distortions in quoting and trading related to the entry of new exchanges with low absolute trading and quoting volume.

As of the date of this letter, the imbalance of quoting and trading observed on NYSE Chicago and LTSE has been substantially reduced. The same pattern has not reemerged elsewhere, but there is no guarantee that it will not, especially since it happened even though neither venue provided any incentives designed for the purpose of attracting a substantial increase in quotes that are infrequently accessed in practice. Furthermore, there is no guarantee that individual Members will not choose to offer such incentives in the future.

For the reasons detailed below, the Members believe the activity underlying these occurrences undermines the Securities and Exchange Commission’s (the “Commission”) stated objectives in adopting the current revenue formula in Regulation NMS and warrants a targeted change to the formula to ensure those objectives are met.

### **High Quote-to-Trade Ratios Distort the Revenue Allocation Formula, Undermining the Goals of Regulation NMS**

Under the CT Plan, market data revenue is allocated among Members through a two-step process:

1. **Security Income Allocation (SIA):** Total revenue is first allocated to individual securities based on the square root of each security’s dollar value traded, divided by the sum of the square roots of all securities’ dollar values traded. This method was designed to avoid over-weighting the most actively-traded and high-priced stocks. To prevent excessive allocation to infrequently traded securities, the SIA for any security is capped at \$4 per transaction report. Any excess income above this cap is redistributed among other securities.
2. **Member Revenue Share:** Once revenue is assigned to each security, it is further divided among Members based on:
  - **Trading Share (50%):** A Member’s proportion of qualified trades (transactions of \$5,000 or more) in the security by dollar volume.

- **Quoting Share (50%):** Determined by the Member's "Quote Rating," which considers the duration and size of quotes by a Member at the best bid and offer prices, compared to the duration and size of quotes at the best prices displayed by all Members.

In adopting Regulation NMS, the SEC revised the revenue allocation formula to the current approach identified above to address distortions caused by the previous model, which overly emphasized the number of trades reported by self-regulatory organizations ("SROs"), regardless of trade size. The updated formula aimed to allocate revenues more equitably by considering both the value of quotations and executed trades, rewarding SROs that "contribute to public price discovery" and "reduc[ing] the economic and regulatory distortions" observed under the prior formula.<sup>2</sup>

The Members believe that the behavior and pattern described above conflicts with the objectives of the Commission in adopting the revenue allocation proposal as part of Regulation NMS. As the Commission explained then, the previous formula allocated revenue only for trading activity and had led to certain distortions and abuses, including "trade shredding" practices, involving the splitting of larger trades into a number of smaller trades solely for the purpose of earning more data revenue.

In revising the formula, the Commission determined that it should provide some allocation of revenue for quotations that contribute meaningfully to the consolidated data stream.<sup>3</sup> It decided to allocate 50% of overall revenue to quotes based on its conclusion that trades and quotes are of approximately equal importance for price discovery.<sup>4</sup> At the same time, the Commission determined that not all quoting activity is equally useful to the data stream, and it sought to limit how credit is allocated to quotes to avoid the potential for "abusive quoting behavior".

As one such constraint, it approved a feature of the revenue formula that was meant to preclude credit for "flickering quotes", i.e., quotes that are "flashed solely to earn market data revenues, but are not truly accessible and therefore do not add any value to the consolidated quote stream."<sup>5</sup> Separately, in approving the limitation of revenue for each security to an amount no greater than \$4 for each qualified transaction report, the Commission explained that it was seeking to respond to concerns about the potential for abusive quoting behavior in extremely inactive stocks "by anyone seeking to game the Quoting Share allocation."<sup>6</sup>

The Members believe that the historical pattern of high quoting activity, associated with little related trading, selectively conducted on individual markets, shows the need to modify the revenue allocation formula to reduce the potential for distortive quoting activity.

Quotes are useful for price discovery because they represent offers to trade at displayed prices. When quoting activity ceases to bear a meaningful relationship to trading, however, it becomes

<sup>2</sup> See generally, Securities Exchange Act Release No. 51808, 70 FR 37496, 37561-37566 (June 29, 2005).

<sup>3</sup> 70 FR at 37562.

<sup>4</sup> Id. at 37568.

<sup>5</sup> Id. at 37564.

<sup>6</sup> Id. at 37566. It is worth noting that much of the quoting activity responsible for high quote to trade ratios has involved quoting in relatively inactively traded securities.

less useful for price discovery and more likely to be associated with gaming activity that distorts market data in the manner the Commission sought to avoid when it adopted the current formula. Further, as noted above, the potential for recurrence of this activity is heightened by the fact that the exchanges where it has arisen have not sought to attract it.

## **Description of Amendment**

To address these concerns, the Members have developed a proposal to implement a cap on the quote-to-trade revenue ratio. Specifically, the amendment would:

- Impose a maximum quote-to-trade revenue ratio cap of 5:1 for each Member;
- Apply the cap only in circumstances where a Member's quote-derived revenue exceeds five times its trade-derived revenue over a defined measurement period;
- Exclude FINRA from the cap, due to the unique nature of FINRA's facilities; and
- Include a de minimis exception for Members with very low total quoting and trading activity, recognizing that such entities may temporarily exceed the 5:1 ratio due to statistical volatility without materially affecting revenue distribution.

The proposed amendment would apply the ratio cap to each periodic distribution of CT Plan revenue to Members. Under the CT Plan, distributions will be made on a quarterly basis with respect to each of the three tapes. Under the amendment, the amount of quote-related revenue received by a Member would be adjusted if, under the general allocation provisions of the CT Plan, such revenue would exceed its allocated trading revenue by a ratio of more than five to one. The amount of quoting revenue exceeding that ratio otherwise payable to the Member would then be redistributed to all other Members (whose quoting activity would not cause them to exceed the cap). The allocation of the excess to such other Members would be based on each Member's share of distributable quote revenue in relation to all quote revenue distributable to all such other Members. Similarly, in a rare case where the redistribution of revenue would itself cause a Member to exceed the 5:1 ratio, the excess above that ratio would be further redistributed in the same way to other Members whose Quoting Share does not exceed the cap.

### 2. Governing or Constituent Documents

Not applicable.

### 3. Implementation of Amendments

The amendment proposed herein would be implemented upon approval by the Commission.

### 4. Development and Implementation Phases

See Item 3.

### 5. Analysis of Impact on Competition

The amendments proposed herein do not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Securities Exchange Act of 1934 (the "Act"). In adopting Regulation NMS, the SEC revised the revenue allocation formula to

the current approach identified above to address distortions caused by the previous model, which overly emphasized the number of trades reported by self-regulatory organizations (“SROs”), regardless of trade size. The updated formula aimed to allocate revenues more equitably by considering both the value of quotations and executed trades, rewarding SROs that “contribute to public price discovery” and “reduc[ing] the economic and regulatory distortions” observed under the prior formula.<sup>7</sup>

The Members believe that the behavior and pattern described above conflicts with the objectives of the Commission in adopting the revenue allocation proposal as part of Regulation NMS. The Members believe that the historical pattern of high quoting activity, associated with little related trading, selectively conducted on individual markets, shows the need to modify the revenue allocation formula to reduce the potential for distortive quoting activity. Quotes are useful for price discovery because they represent offers to trade at displayed prices. When quoting activity ceases to bear a meaningful relationship to trading, however, it becomes less useful for price discovery and more likely to be associated with gaming activity that distorts market data in the manner the Commission sought to avoid when it adopted the current formula. Further, as noted above, the potential for recurrence of this activity is heightened by the fact that the exchanges where it has arisen have not sought to attract it.

The Members’ selection of the 5:1 threshold reflects an analysis of historical data from 2018–2024, which is publicly available on the CTA and UTP Plan websites. Analysis of this data shows that during this period, virtually all Members’ Quoting Shares remained within the cap, other than during certain periods involving the two exchanges identified above and in other temporary circumstances involving new exchange entrants or those with very low levels of quote and trading activity. The amendment is designed to avoid applying the cap in these circumstances by providing that no allocation adjustment will be required in any case in which a Member’s total payment for its Quoting Share does not exceed \$50,000 during a calendar year.

A review of public historical data for the CTA and UTP Plans helps to demonstrate the relative infrequency of distributions that would have exceeded the proposed cap and the concentration of these instances among exchange participants. Consider that from 2018 to 2024, there were 318 distributions of quote and trade revenue to the existing 16 participants, across each of the three data tapes. Of these 318 distributions, the proposed ratio cap would have been breached 25 times. Of these 25 instances, NYSE Chicago and LTSE would have accounted for 18 instances, and three other participants would have accounted for 7. In 3 of the 6 cases in which LTSE would have breached the limit, it received de minimis quote revenue and so those instances would have avoided reallocation under the proposed de minimis exception. Finally, for these 7 years, excluding the cases in which the cap would have been breached, the average ratio cap for all other distributions for each of the three tapes would have been as follows:

- Tape A: 1.79
- Tape B: 1.86
- Tape C: 1.82

<sup>7</sup> See generally, Securities Exchange Act Release No. 51808, 70 FR 37496, 37561-37566 (June 29, 2005).

Thus, the proposed CT Plan amendment is intended to set a reasonable outer boundary, based on historical evidence, that corresponds to a reasonable relationship between quoting and trading activity. The proposed cap is meant to maintain the regulatory purpose of rewarding both quotes and trades, while avoiding potential abuses and distortions related to quoting activity not otherwise addressed by the existing formula. As noted, the proposal also includes a de minimis carve out to prevent its unnecessary application in cases involving Members receiving very small amounts of revenue that would not warrant an adjustment.

6. Written Understanding or Agreements relating to Interpretation of, or Participation in, Plan

No change as a result of amendment.

7. Approval by Sponsors in Accordance with Plan

Section 4.3(b) provides that “[a]ll actions of the Operating Committee will require an affirmative vote of not less than (2/3rd) two-thirds of all votes allocated in the manner described in Section 4.3(a) to Voting Representatives who are eligible to vote on such action.”

The Members have executed this Amendment and represent not less than (2/3rd) two-thirds of all votes allocated in the manner described in Section 4.3(a) of the CT Plan to Voting Representatives who are eligible to vote on such action.

8. Description of Operation of Facility Contemplated by the Proposed Amendment

No change as a result of amendment.

9. Terms and Conditions of Access

No change as a result of amendment.

10. Method of Determination and Imposition, and Amount of, Fees and Charges

No change as a result of amendment.

11. Method and Frequency of Processor Evaluation

No change as a result of amendment.

12. Dispute Resolution

No change as a result of amendment.

B. Rule 601(a)

1. Reporting Requirements

No change as a result of amendment.

2. Manner of Collecting, Processing, Sequencing, Making Available and Disseminating Last Sale Information

No change as a result of amendment.

3. Manner of Consolidation

No change as a result of amendment.

4. Standards and Methods Ensuring Promptness, Accuracy and Completeness of Transaction Reports

No change as a result of amendment.

5. Rules and Procedures Addressed to Fraudulent or Manipulative Dissemination

No change as a result of amendment.

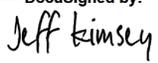
6. Terms of Access to Transaction Reports

No change as a result of amendment.

7. Identification of Marketplace of Execution

No change as a result of amendment.

Sincerely yours,

DocuSigned by:  
  
ECD66763622D47B...  
Jeff Kimsey

CT Plan Operating Committee Chair

## AMENDMENT NO. 3

### CT PLAN LLC

#### Revenue Allocation Formula Amendment

AGREEMENT made as of the 9th day of February, 2026, among 24X National Exchange LLC, Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., Financial Industry Regulatory Authority, Inc., Investors' Exchange LLC, MEMX LLC, MIAX PEARL, LLC, Nasdaq BX, Inc., Nasdaq ISE, LLC, Nasdaq PHLX, Inc., the Nasdaq Stock Market LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., NYSE Texas, Inc., and NYSE National, Inc. (collectively, the "Members").

The Members enter into this Agreement in order to reflect amendments to the revenue allocation formula. For this purpose, the Members agree that Exhibit D, paragraph (a) of the CT Plan is amended and restated as follows:

#### **(a) Payments.**

- (i) In accordance with Paragraph (l) of this Exhibit D, each Member will receive an annual payment (if any) for each calendar year that is equal to the sum of the Member's Trading Shares and Quoting Shares (each as defined below), in each Eligible Security for such calendar year. In the event that total Net Distributable Operating Income (as defined below) is negative for a given calendar year, each Member will receive an annual bill for such calendar year to be determined according to the same formula (described in this paragraph) for determining annual payments to the Members. Unless otherwise stated in this agreement, a year shall run from January 1st to December 31st and quarters shall end on March 31st, June 30th, September 30th, and December 31st. The Company shall cause the Administrator to provide the Members with written estimates of each Member's percentage of total volume within five business days of the end of each calendar month.
- (ii) In any period in which a Member is entitled to receive payment under this Plan in respect to its Quoting Share for all Eligible Securities, its payment shall be subject to adjustment in the event that such payment would exceed the amount of payment to the Member for its Trading Share in all Eligible Securities for the same period by a ratio of more than five to one. In that event, the payment for to the Member for its Quoting Share shall be capped at the amount represented by such ratio, and the amount otherwise payable in excess of such ratio shall be distributed to all other Members, based on the proportion that each other Members's payment receivable for its Quoting Share during the period bears to all payments receivable for Quoting Shares by all such other Members. Notwithstanding the foregoing, if such redistribution would result in another Member receiving a payment for its Quoting Share exceeding payment for its Trading Share by a ratio of more than five to one, such excess will be further redistributed to other Members whose payments are within the ratio cap based on their respective payments receivable for Quoting Shares compared to all payments receivable for Quoting Shares by all such other Members. Further, (i) no adjustment under this paragraph shall be required if a Member's total payment

for its Quoting Shares does not exceed \$50,000 during a calendar year and (ii) the adjustment under this paragraph shall not be applied to FINRA.

Addendum 1 to this Agreement contains an additional version of Exhibit D, paragraph (a) marked to show the proposed changes set forth in this Agreement. In Addendum 1, proposed additions are double-underlined and proposed deletions are [~~struck through and bracketed~~].

These amendments to the CT Plan will be effective upon approval by the Commission.

The Members may execute this Agreement in any number of counterparts, no one of which need contain all signatures of all Members. As many of the counterparts as shall together contain all such signatures shall constitute one and the same instrument.

Except for the changes contained in this amendment, the Plan is unchanged and remains in full force and effect.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the Members have executed this amendment as of the date first above written.

24X NATIONAL EXCHANGE LLC

Signed by:  
By: *Paul Adcock*  
Name: Paul Adcock

MEMX LLC

Signed by:  
By: *Adrian Griffiths*  
Name: Adrian Griffiths

CBOE BYX EXCHANGE, INC.  
CBOE BZX EXCHANGE, INC.  
CBOE EDGA EXCHANGE, INC.  
CBOE EDGX EXCHANGE, INC.  
CBOE EXCHANGE, INC.

MIAX PEARL, LLC

Signed by:  
By: *Chris Solgan*  
Name: Chris Solgan

Signed by:  
By: *Robert Books*  
Name: Robert Books

NASDAQ BX, INC.  
NASDAQ ISE, LLC  
NASDAQ PHLX LLC  
NASDAQ STOCK MARKET LLC

FINANCIAL INDUSTRY REGULATORY  
AUTHORITY, INC.

Signed by:  
By: *Chris Stone*  
Name: Chris Stone

DocuSigned by:  
By: *Andrew Oppenheimer*  
Name: Andrew Oppenheimer

INVESTORS' EXCHANGE LLC

Signed by:  
By: *John Ramsay*  
Name: John Ramsay

NEW YORK STOCK EXCHANGE LLC  
NYSE AMERICAN LLC  
NYSE ARCA, INC.  
NYSE TEXAS, INC.  
NYSE NATIONAL, INC.

Signed by:  
By: *Joshua Burch*  
Name: Joshua Burch

## Addendum 1

### To the Third Amendment to the CT Plan

#### PROPOSED CHANGES TO THE CT PLAN

(Additions are double-underlined; Deletions are [~~struck through and bracketed~~])

#### EXHIBIT D

##### Cost Allocation and Revenue Sharing

(a) **Payments.**

- (i) In accordance with Paragraph (l) of this Exhibit D, each Member will receive an annual payment (if any) for each calendar year that is equal to the sum of the Member's Trading Shares and Quoting Shares (each as defined below), in each Eligible Security for such calendar year. In the event that total Net Distributable Operating Income (as defined below) is negative for a given calendar year, each Member will receive an annual bill for such calendar year to be determined according to the same formula (described in this paragraph) for determining annual payments to the Members. Unless otherwise stated in this agreement, a year shall run from January 1st to December 31st and quarters shall end on March 31st, June 30th, September 30th, and December 31st. The Company shall cause the Administrator to provide the Members with written estimates of each Member's percentage of total volume within five business days of the end of each calendar month.
- (ii) In any period in which a Member is entitled to receive payment under this Plan in respect to its Quoting Share for all Eligible Securities, its payment shall be subject to adjustment in the event that such payment would exceed the amount of payment to the Member for its Trading Share in all Eligible Securities for the same period by a ratio of more than five to one. In that event, the payment for to the Member for its Quoting Share shall be capped at the amount represented by such ratio, and the amount otherwise payable in excess of such ratio shall be distributed to all other Members, based on the proportion that each other Members's payment receivable for its Quoting Share during the period bears to all payments receivable for Quoting Shares by all such other Members. Notwithstanding the foregoing, if such redistribution would result in another Member receiving a payment for its Quoting Share exceeding payment for its Trading Share by a ratio of more than five to one, such excess will be further redistributed to other Members whose payments are within the ratio cap based on their respective payments receivable for Quoting Shares compared to all payments receivable for Quoting Shares by all such other Members. Further, (i) no adjustment under this paragraph shall be required if a Member's total payment for its Quoting Shares does not exceed \$50,000 during a calendar year and (ii) the adjustment under this paragraph shall not be applied to FINRA.

(b) – (m) No change.