

SUPPORTING STATEMENT  
for the Paperwork Reduction Act Information Collection Submission for  
Rule 606 of Regulation NMS

A. Justification

1. Necessity of Information Collection

This information collection is required under Rule 606 and Section 17(a) of the Securities Exchange Act of 1934 (“Exchange Act”).<sup>1</sup> The Commission adopted Rule 606 f/k/a Rule 11Ac1-6 as part of Regulation NMS.<sup>2</sup> The order routing information required by Rule 606 is necessary to further the national market system objectives. These objectives include the economically efficient execution of orders, fair competition among broker-dealers and among markets, the availability to broker-dealers and investors of information with respect to transactions in securities, and the practicability of broker-dealers executing investors’ orders in the best market.

On July 13, 2016, the Commission proposed amendments to Rule 606 of Regulation NMS to require new disclosures by broker-dealers relating to their handling of certain categories of orders and enhance existing disclosures relating to their handling to certain other categories of orders and solicited public comment.<sup>3</sup> On November 2, 2018, after considering comments received, the Commission adopted amendments to Rule 606 of Regulation NMS to require disclosure by broker-dealers of (1) a report, upon request of a customer that places with the broker-dealer, directly or indirectly, NMS stock orders of any size that are submitted on a not held basis (subject to two de minimis exceptions), containing certain information on the broker-dealer’s handling of such orders for that customer for the prior six months (“Customer-Specific Disclosure on Handling of Non-Exempt Not Held Orders”); (2) a quarterly aggregated public report on the handling of orders in NMS stocks that are submitted on a held basis and orders in NMS securities that are option contracts with a market value less than \$50,000 (“Quarterly Public Disclosure on Routing of Held Orders and Options Contracts”); and (3) a report, upon request of a customer, on the routing of that customer’s orders in NMS stocks that are submitted on a held basis; orders in NMS stocks that are submitted on a not held basis and do not qualify for the two de minimis exceptions; and orders in NMS securities that are option contracts, containing certain information on the broker-dealer’s routing of such orders for that customer for the prior six months (“Customer-Specific Disclosure on Routing of Held Orders, Exempt Not Held Orders, and Options Contracts”).<sup>4</sup>

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1 OMB No. 3235-0541.

2 See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005).

3 See Securities Exchange Act Release No. 78309 (July 13, 2016), 81 FR 49431 (July 27, 2016) (“Proposing Release”).

4 See Securities Exchange Act Release No. 84528 (November 2, 2018), 83 FR 58338

As adopted, the amendments to Rule 606 would require collections of information, as summarized in the table below. The existing information collection associated with Rule 606(a) is being amended in a manner that will create new initial hourly and cost burdens and new annual hourly burdens. The previously approved annual burdens associated with Rule 606(a) are not changing. The existing information collection associated with Rule 606(b)(1) is being amended in a manner that will create new initial hourly and cost burdens. The previously approved annual burdens associated with Rule 606(b)(1) are not changing. The amendments to Rule 606 add a new information collection described in Rule 606(b)(3) that will create new initial hourly and cost burdens and new annual hourly and cost burdens. Finally, as part of the amendments to Rule 606, new defined terms are being added to the definitions provision of Regulation NMS, Rule 600, and this will create a one-time hourly burden for respondents to update compliance manuals and written supervisory procedures and update citation references to any defined terms in Rule 600 whose references may have changed.

Information Item	Rule	Existing or New Collection
Quarterly Public Disclosure on Routing of Held Orders and Options Contracts	606(a)(1)	Existing
Customer-Specific Disclosure on Routing of Held Orders, Exempt Not Held Orders, and Options Contracts	606(b)(1)	Existing
Customer-Specific Disclosure on Handling of Non-Exempt Not Held Orders	606(b)(3)	New
Update compliance manuals	600/606	New

## 2. Purpose and Use of the Information Collection

The purpose of the information collection is to make information about order handling practices available to individual investors and the public. The information disclosed by Rule 606 is used by investors and broker-dealers. Investors use the information in selecting a broker-dealer and in determining whether the broker-dealers they have chosen are making sound order handling decisions. Broker-dealers use the information to compete on the basis of order handling services.

Generally, the order handling disclosures required under the adopted amendments to Rule 606 would provide detailed information that would enable investors to evaluate how their orders were handled by their broker-dealers, assess conflicts of interest facing their broker-dealers in providing order routing services, and have the ability to engage in informed discussions with their broker-dealers about the broker-dealer's order handling practices. The adopted order handling disclosures could inform future decisions on whether to retain a broker-dealer's order handling services or engage the order handling services of a new broker-dealer. In addition, broker-dealers may use the public disclosures to compete on the basis of order handling

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(November 19, 2018) ("Adopting Release").

services.

### 3. Consideration Given to Information Technology

To comply with the adopted amendments to the Rule, all broker-dealers would incur burdens to update their systems to create and retain the information and disseminate the disclosures required by the Rule. The Commission also adopted a new requirement to require that all three disclosures be made available using the most recent versions of the XML schema and the associated PDF renderer as published on the Commission's Web site, compliance with which would also require broker-dealers to incur burdens.

The Commission believes that broker-dealers would upgrade their systems either in-house or via a third-party service provider.<sup>5</sup> The Commission solicited comment on whether there are ways to minimize the burden of collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology<sup>6</sup> and received no comments.

Broker-dealers are not prohibited from using any technology that facilitates consumer understanding and that permits review, as appropriate, by the Commission or other appropriate regulatory authorities.

### 4. Duplication

Duplication of information is currently not a concern; the reported information is not available elsewhere.

### 5. Effect on Small Entities

Under the standard for determining whether a broker-dealer is a small entity in Exchange Act Rule 0-10(b), the Commission estimates that no broker-dealers subject to adopted Rule 606 is a small entity.

### 6. Consequences of Not Conducting Collection

The quarterly and customer-specific disclosures on order handling adopted in the amendments to Rule 606 would allow customers to evaluate and monitor their broker-dealer's order routing decisions on both a periodic and ad-hoc basis. A less frequent collection would limit investors' opportunities to undertake this critical evaluation.

### 7. Inconsistencies with Guidelines in 5 CFR Part 1320.5(d)(2)

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5 See Adopting Release, *supra* note 4, at 58383.

6 See Proposing Release, *supra* note 3, at 49477.

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The Commission solicited comments on the proposed new collection of information requirements and associated paperwork burdens.<sup>7</sup> The Commission received one comment letter on the estimates of the collection of information burden included in the Proposal.<sup>8</sup> The Commission considered all comments received prior to publishing the final rule as required by 5 C.F.R. 1320.11(f) and, as a result, revised burden estimates for Rule 606(a)(1) and Rule 606(b)(3) upward as described in Item 12. The letter is available to the public on the Commission's website at <https://www.sec.gov/comments/s7-14-16/s71416.htm>.

9. Payment or Gift

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

No information of a sensitive nature, will be required under this collection of information. The information collection does not collect personally identifiable information (PII). The agency has determined that a system of records notice (SORN) and privacy impact assessment (PIA) are not required in connection with the collection of information.

12. Burden of Information Collection

A. Burden of Previous Rule 606

The collection of information obligations of the previous version of Rule 606 applied to broker-dealers that route non-directed customer orders in covered securities. As of the most recent PRA renewal in 2016, the Commission estimated that there are 266 broker-dealers (185 clearing brokers and 81 introducing brokers) that are potentially subject to the collection of information obligations of Rule 606.<sup>9</sup> Each of these respondents (if engaged in the business of routing non-directed orders on behalf of customers) is required to respond to the collection of information on a quarterly basis with respect to the Rule's reporting obligations, and on an

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7 See id.

8 Letter from David M. Weisberger, Managing Director, IHS Markit to Brent J. Fields, Secretary, Commission, dated September 26, 2016 ("Markit Letter").

9 2014 Form BD and Form Custody data.

ongoing basis with respect to the Rule's requirement to respond to customer requests for order routing information.

The Commission staff estimated that each firm significantly involved in order routing practices will incur an average burden of 40 hours to prepare and disseminate a quarterly report required by Rule 606(a), or a burden of 160 hours per year. With an estimated 266 broker-dealers significantly involved in order routing practices, the total industry-wide burden per year to comply with the quarterly reporting requirement in Rule 606 was estimated to be 42,560 hours (160 x 266).

The Commission estimates that these individual burdens will continue to apply to broker-dealers that have information collection obligations under Rule 606(a), but the Commission is updating the number of respondents to 292 (217 clearing brokers and 75 introducing brokers) to reflect the availability of more recent data.<sup>10</sup> Therefore the total industry-wide burden per year to comply with the quarterly reporting requirement in Rule 606(a)(1) is estimated to be 46,720 hours (292 x 160).

Rule 606(b)(1) also requires broker-dealers to respond to individual customer requests for information on orders handled by the broker-dealer for that customer. Clearing brokers generally bear the burden of responding to these requests. The Commission staff estimated that an average clearing broker will incur an annual burden of 400 hours (2000 responses x 0.2 hours/response) to prepare, disseminate, and retain responses to customers required by Rule 606(b)(1). With an estimated 185 clearing brokers subject to the Rule, the total industry-wide burden per year to comply with the customer response requirement in Rule 606 was estimated to be 74,000 hours (185 x 400).

The Commission estimates that these individual burdens will continue to apply to broker-dealers that have information collection obligations under Rule 606(b)(1) but the Commission is updating the number of respondents to 217 clearing brokers to reflect the availability of more recent data.<sup>11</sup> Therefore the total industry-wide burden per year to comply with the to comply with the customer response requirement in Rule 606 is estimated to be 86,800 hours (217 x 400).

## B. Burden of Adopted Amendments to Rule 606

The collection of information obligations of the amendments to Rule 606 also apply to broker-dealers that route non-directed customer orders in covered securities. The Commission estimates that there are 292 broker-dealers that are potentially subject to the collection of information obligations of Rule 606.<sup>12</sup> The Commission estimates that all 292 broker-dealers are involved in routing orders subject to the disclosure requirements of 606(a)(1) and 606(b)(1), and

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<sup>10</sup> 2016 Form BD and Form Custody data.

<sup>11</sup> Id.

<sup>12</sup> See Adopting Release, supra note 4, at 58382.

200 broker-dealers are involved in routing orders subject to the disclosure requirements of Rule 606(b)(3).<sup>13</sup>

a. New Rule 606(b)(3)

i. Initial Reporting and Recordkeeping Burden

Adopted Rule 606(b)(3) establishes new recordkeeping requirements applicable to broker-dealers that route, directly or indirectly, NMS stock orders of any size that are submitted on a not held basis, subject to two de minimis exceptions. The Commission believes that all 200 broker-dealers that handle orders subject to the customer-specific disclosures required by Rule 606(b)(3) will need to update their systems to both update their data capture systems and format the report required by the rule,<sup>14</sup> and that some broker-dealers would update their systems in house while others will engage a third-party service provider to do so.<sup>15</sup>

The Commission estimates the initial burden for each of the 67 broker-dealer that handles orders subject to the customer-specific disclosures required by Rule 606(b)(3) to implement the requirements of the rule in-house to be 260 hours,<sup>16</sup> for a total initial burden of 17,420 hours.<sup>17</sup> The Commission initially estimated that 10 broker-dealers would need to update their systems to capture the data required by the rule for an individual burden of 200 hours and a total burden of 2,000 hours.<sup>18</sup> The increase in total burden from the Proposing Release estimate

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13 See id.

14 The Commission initially estimated that only a portion of the 200 broker-dealers subject to the disclosure requirements of Rule 606(b)(3) would not already have systems in place to capture the data required by the rule and that 10 broker-dealers would build the required systems in-house and 15 would engage a third-party service provider to do so. See Proposing Release, supra note 3, at 49470. In response to the comment letter received (see Markit Letter, supra note 8, at 33), the Commission revised its estimate to reflect that all 200 broker-dealers subject to the rule would need to update their data capture systems and format the report required by the rule, with 67 broker-dealers doing so in-house and 133 broker-dealers engaging a third-party service provider. See Adopting Release, supra note 4, at 58383.

15 See Adopting Release, supra note 4, at 58383.

16 The Commission estimates the monetized burden for this requirement to be \$84,100. (Sr. Programmer for 160 hours at \$324 per hour) + (Sr. Database Administrator for 40 hours at \$334 per hour) + (Sr. Business Analyst for 40 hours at \$269 per hour) + (Attorney for 20 hours at \$407 per hour) = 260 hours and \$84,100.

17 17,420 hours = 260 hours x 67 broker-dealers that handle such orders and would perform the necessary programming upgrades in-house. The monetized hourly burden is \$5,634,700 = \$84,100 x 67 such broker-dealers.

18 See Proposing Release, supra note 3, at 49470.

reflects the increase in number of respondents from 10 to 67, as discussed above.<sup>19</sup> It also represents an increase in the initial individual hourly burden from 200 hours to 260 hours in response to the comment letter received.<sup>20</sup>

The Commission estimates the initial burden for each of the 133 broker-dealer that handles orders subject to the customer-specific disclosures required by Rule 606(b)(3) to engage a third-party service provider to implement the requirements of the rule to be 50 hours,<sup>21</sup> for a total initial burden of 6,650 hours.<sup>22</sup> The Commission initially estimated that 15 broker-dealers would need to update their systems to capture the data required by the rule for an individual burden of 50 hours and a total burden of 750 hours.<sup>23</sup> The increase in burden from the Proposing Release estimate reflects the increase in number of respondents from 15 to 133, as discussed above.<sup>24</sup>

Therefore, the estimated total initial burden to comply with adopted Rule 606(b)(3) is 24,070 hours<sup>25</sup> or 8,023.33 hours per year when annualized over three years.<sup>26</sup> This is an increase over the initial Proposing Release estimate of 8,750 hours or 2,916.67 hours per year annualized over three years, for the reasons discussed above.

#### ii. Annual Reporting and Recordkeeping Burden

The Commission estimates that for each broker-dealer that will respond in-house to individual customer requests for information on order handling under adopted Rule 606(b)(3),

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19 See supra note 14.

20 See Adopting Release, supra note 4, at 58415 (citing Markit Letter, supra note 8, at 33).

21 The Commission estimates the monetized burden for this requirement to be \$16,200. (Sr. Business Analyst for 15 hours at \$269 per hour) + (Compliance Manager for 20 hours at \$303 per hour) + (Attorney for 15 hours at \$407 per hour) = 50 hours and \$16,200.

22 6,650 hours = 50 hours x 133 broker-dealers that handle such orders and would engage a third-party vendor to perform the necessary programming upgrades. The monetized hourly burden is \$2,154,600 = \$16,200 x 133 such broker-dealers.

23 See Proposing Release, supra note 3, at 49470.

24 See supra note 14.

25 17,240 hours + 6,650 hours = 24,070 hours. The associated monetized burden is \$5,660,000 = \$4,655,000 + \$1,005,000.

26 24,070 hours / 3 years = 8,023.33 hours. The associated monetized burden is \$1,886,666.67 per year (\$5,660,000 annualized over three years).

the individual annual burden will be 400 hours,<sup>27</sup> with a total annual burden of 54,000 hours.<sup>28</sup> The annual burden for broker-dealers that will engage a third-party to respond to individual customer requests will be 200 hours,<sup>29</sup> with a total annual burden of 13,000 hours.<sup>30</sup>

Therefore, the estimated total annual burden to comply with adopted Rule 606(b)(3) is 67,000 hours.<sup>31</sup> This burden is unchanged from Proposing Release.

b. Amendments to Rules 606(a)(1) and 606(b)(1)

i. Initial Reporting and Recordkeeping Burden

Adopted Rule 606(a)(1) enhances existing recordkeeping requirements and makes them applicable to broker-dealers that route orders in NMS stocks that are submitted on a held basis and orders in NMS securities that are option contracts. Adopted Rule 606(b)(1) does not change existing record-keeping requirements but makes them applicable to broker-dealers that route orders in NMS stocks that are submitted on a held basis, orders in NMS stocks submitted on a not held basis that do not qualify for the two de minimis exceptions of Rule 606(b)(3), and orders in NMS securities that are option contracts.

As with Rule 606(b)(3), the Commission believes that all 292 broker-dealers that handle orders subject to the disclosures required by Rules 606(a)(1) and 606(b)(1) will need to update their systems to both update their data capture systems and format the report required by the rule,<sup>32</sup> and that some broker-dealers would update their systems in house while others will engage a third-party service provider to do so.

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27 The Commission estimates there will be 200 requests annually, each of which will take an average of 2 hours to respond. The Commission therefore estimates the monetized burden for this requirement to be \$81,400. (Programmer Analyst for 1 hours at \$236 per hour) + (Jr. Business Analyst for 1 hours at \$171 per hour) = 2 hours and \$407 x 200 requests.

28 54,000 hours = 2 hours x 200 requests x 135 broker-dealers that handle such orders and respond to customer requests in-house. The monetized hourly burden is \$10,989,000 = \$81,400 x 135 such broker-dealers.

29 The Commission estimates there will be 200 requests annually, each of which will take an average of 1 hour per request for a broker-dealer to engage a third-party service provider to respond. The Commission therefore estimates the monetized burden for this requirement to be \$60,600. (Compliance Manager for 1 hours at \$303 per hour) = 1 hour and \$303 x 200 requests.

30 13,000 hours = 1 hours x 200 requests x 65 broker-dealers that handle such orders and would engage a third-party service provider to respond to customer requests. The monetized hourly burden is \$3,939,000 = \$60,600 x 65 such broker-dealers.

31 54,000 hours + 13,000 hours = 67,000 hours. The associated monetized burden is \$14,928,000 = \$10,989,000 + \$3,939,000.



The Commission estimates the initial burden for each of the 97 broker-dealer that handles orders subject to the disclosures required by Rule 606(a)(1) to implement the requirements of the rule in-house to be 240 hours,<sup>33</sup> for a total initial burden of 23,280 hours.<sup>34</sup> The Commission initially estimated that 25 broker-dealers would need to update their systems to capture the data required by the rule for an individual burden of 76 hours and a total burden of 1,900 hours.<sup>35</sup> The increase in burden from the Proposing Release estimate reflects the increase in number of respondents from 25 to 97, as discussed above.<sup>36</sup> It also represents an increase in the initial individual hourly burden from 76 hours to 240 hours in response to the comment letter received.<sup>37</sup>

The Commission estimates the initial burden for each of the 195 broker-dealer that handles orders subject to the disclosures required by Rule 606(a)(1) to engage a third-party service provider to implement the requirements of the rule to be 20 hours,<sup>38</sup> for a total initial burden of 3,900 hours.<sup>39</sup> The increase in burden from the Proposing Release estimate reflects

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32 The Commission initially estimated that only a portion of the 292 broker-dealers subject to the disclosure requirements of Rules 606(a)(1) and 606(b)(1) would not already have systems in place to capture the data required by the rule and that 25 broker-dealers would build the required systems in-house and 25 would engage a third-party service provider to do so. See Proposing Release, supra note 3, at 49474. In response to the comment letter received (see Markit Letter, supra note 8, at 33), the Commission revised its estimate to reflect that all 292 broker-dealers subject to the rule would need to update their data capture systems and format the report required by the rule, with 97 broker-dealers doing so in-house and 195 broker-dealers engaging a third-party service provider. See Adopting Release, supra note 4, at 58386.

33 The Commission estimates the monetized burden for this requirement to be \$76,800. (Sr. Programmer for 160 hours at \$324 per hour) + (Sr. Database Administrator for 20 hours at \$334 per hour) + (Sr. Business Analyst for 20 hours at \$269 per hour) + (Attorney for 4 hours at \$407 per hour) + (Sr. Operations Manager for 20 hours at \$358 per hour) + (Systems Analyst for 16 hours at \$257 per hour) = 240 hours and \$76,800.

34 23,280 hours = 240 hours x 97 broker-dealers that handle such orders and would perform the necessary programming upgrades in-house. The monetized hourly burden is \$7,449,600 = \$76,800 x 97 such broker-dealers.

35 See Proposing Release, supra note 3, at 49474.

36 See supra note 33.

37 See Adopting Release, supra note 4, at 58387 (citing Markit Letter, supra note 8, at 33).

38 The Commission estimates the monetized burden for this requirement to be \$6,410. (Sr. Business Analyst for 5 hours at \$269 per hour) + (Compliance Manager for 10 hours at \$303 per hour) + (Attorney for 5 hours at \$407 per hour) = 20 hours and \$6,410.

39 3,900 hours = 20 hours x 195 broker-dealers that handle such orders and would engage a

the increase in number of respondents from 25 to 195, as discussed above.<sup>40</sup>

For each of the 292 broker-dealers that handle orders subject to the disclosures required by Rule 606(a)(1), the initial burden to review, assess, and disclose their payment for order flow arrangements and profit-sharing relationships would be 10 hours,<sup>41</sup> for a total initial burden of 2,920 hours.<sup>42</sup> This burden is unchanged from Proposing Release but reflects an increase in the number of respondents from 266 to 292 due to the availability of more recent data.<sup>43</sup>

The Commission is including a burden that was not estimated in the Proposing Release because it reflects a change made to complementary categories of orders subject to disclosure under Rules 606(a), (b)(1) and (b)(3).<sup>44</sup> The Commission now estimates a burden for each of the 292 broker-dealers that handle orders subject to the disclosures required by Rule 606(b)(1) to update their systems to include the amended categories of orders to which the disclosure applies. The Commission believes that it is reasonable to estimate that one third of the 292 broker-dealers that route orders subject to the disclosures required by Rule 606(b)(1) – 97 broker-dealers – will implement these changes in-house, while the remaining number – 195 broker-dealers – will engage a third-party vendor to do so. The Commission estimates the initial burden for each of the 97 broker-dealer that will program their systems in-house to comply with Rule 606(b)(1) to be 24 hours,<sup>45</sup> for a total initial burden of 2,328 hours.<sup>46</sup> The Commission estimates the initial burden for each of the 195 broker-dealers that will engage a third-party

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third-party vendor to perform the necessary programming upgrades. The monetized hourly burden is \$1,249,950 = \$6,410 x 195 such broker-dealers.

40 See *supra* note 33.

41 The Commission estimates the monetized burden for this requirement to be \$3,380. (Sr. Business Analyst for 5 hours at \$269 per hour) + (Attorney for 5 hours at \$407 per hour) = 10 hours and \$3,380.

42 2,920 hours = 10 hours x 292 broker-dealers that handle such orders. The monetized hourly burden is \$986,960 = \$3,380 x 292 such broker-dealers.

43 2017 Form BD and Form Custody data. The Proposing Release used 2015 Form BD and Form Custody data. See Proposing Release, *supra* note 3, at 49474.

44 See Adopting Release, *supra* note 4, at 58387-88.

45 The Commission estimates the monetized burden for this requirement to be \$6,826. (Programmer for 16 hours at \$265 per hour) + (Sr. Database Administrator for 2 hours at \$334 per hour) + (Sr. Business Analyst for 2 hours at \$269 per hour) + (Attorney for 1 hours at \$407 per hour) + (Sr. Operations Manager for 2 hours at \$358 per hour) + (Systems Analyst for 1 hours at \$257 per hour) = 24 hours and \$6,826.

46 2,328 hours = 24 hours x 97 broker-dealers that route such orders and would perform the necessary programming upgrades in-house. The monetized hourly burden is \$662,122 = \$6,826 x 97 such broker-dealers.

vendor to program their systems to comply with the rule to be 3 hours,<sup>47</sup> for a total initial burden of 585 hours.<sup>48</sup>

The Commission included in these estimates the initial burden of making the reports available using the most recent versions of the XML schema and the associated PDF renderer as published on the Commission's Web site, as required by Rules 606(a)(1) and (b)(1), as amended.<sup>49</sup>

Therefore, the estimated total initial burden to comply with adopted Rules 606(a)(1) and (b)(1) is 33,013 hours<sup>50</sup> or 11,004.33 hours per year when annualized over three years.<sup>51</sup> This is an increase over the initial Proposing Release estimate of 8,084 hours or 2,694.67 hours per year annualized over three years, for the reasons discussed above.

## ii. Annual Reporting and Recordkeeping Burden

For each of the 292 broker-dealers subject to disclosure requirements of adopted Rule 606(a)(1), the Commission estimates the annual burden to monitor payment for order flow and profit-sharing relationships and potential self-regulatory organization rule changes that could impact their order routing decisions and incorporate any new information into their reports to be 10 hours,<sup>52</sup> for a total annual burden of 2,920 hours.<sup>53</sup> The Commission estimates the annual burden for each broker-dealers to describe and update any terms of payment for order flow arrangements and profit-sharing relationships with a Specified Venue that may influence their order routing decisions pursuant to adopted Rule 606(a)(1)(iv) to be 15 hours,<sup>54</sup> for a total

47 The Commission estimates the monetized burden for this requirement to be \$979. (Sr. Business Analyst for 1 hours at \$269 per hour) + (Compliance Manager for 1 hours at \$303 per hour) + (Attorney for 1 hours at \$407 per hour) = 3 hours and \$979.

48 585 hours = 3 hours x 195 broker-dealers that handle such orders and would engage a third-party vendor to perform the necessary programming upgrades. The monetized hourly burden is \$190,905 = \$979 x 195 such broker-dealers.

49 See Adopting Release, supra note 4, at 58387.

50 23,280 hours + 3,900 hours + 2,920 hours + 2,328 hours + 585 hours = 33,013 hours. The associated monetized burden is \$10,539,537 = \$1,249,950 + \$537,300 + \$986,960 + \$662,122 + \$190,905.

51 33,013 hours / 3 years = 11,004.33 hours. The associated monetized burden is \$3,513,179 per year (\$10,539,537 annualized over three years).

52 The Commission estimates the monetized burden for this requirement to be \$3,380. (Sr. Business Analyst for 5 hours at \$269 per hour) + (Attorney for 5 hours at \$407 per hour) = 10 hours and \$3,380.

53 2,920 hours = 10 hours annually x 292 broker-dealers. The monetized hourly burden is \$986,960 = \$3,380 x 292 broker-dealers.

54 The Commission estimates the monetized burden for this requirement to be \$3,745. (Jr.

annual burden of 4,380 hours.<sup>55</sup> This burden is unchanged from Proposing Release but reflects an increase in the number of respondents from 266 to 292 due to the availability of more recent data.<sup>56</sup>

Therefore, the estimated total annual burden to comply with adopted Rule 606(a)(1)(iv) is 7,300 hours.<sup>57</sup> This is an increase over the initial Proposing Release estimate of 6,650, for the reasons discussed above.

c. Revisions to Compliance Manuals

The Commission estimated an initial burden previously proposed for market centers and broker-dealers to review and update compliance manuals and written supervisory procedures and update citation references to any defined terms in Rule 600 of Regulation NMS whose references may have changed due to the addition by the Adopting Release of several defined terms to Rule 600.<sup>58</sup> The Commission estimates that each of the 381 market centers and 4,024 broker-dealers<sup>59</sup> would make these updates in house at a one-time burden of 2 hours for each respondent,<sup>60</sup> for a total initial burden of 8,810 hours.<sup>61</sup> The total burden would be 2,936.67 hours per year when annualized over three years.<sup>62</sup> There is no ongoing annual burden associated with this requirement.

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Business Analyst for 10 hours at \$171 per hour) + (Attorney for 5 hours at \$407 per hour) = 15 hours and \$3,745.

55 4,380 hours = 15 hours annually x 292 broker-dealers. The monetized hourly burden is \$1,093,540 = \$3,745 x 292 broker-dealers.

56 See supra note 44.

57 2,920 hours + 4,380 hours = 7,300 hours. The associated monetized burden is \$2,080,500 = \$986,960 + \$1,093,540.

58 See Adopting Release, supra note 4, at 58388-89.

59 See id.

60 The Commission estimates the monetized burden for this requirement to be \$426. (Paralegal for 2 hours at \$213 per hour) = 2 hours and \$426.

61 2 hours x (381 market centers + 4,024 broker-dealers) = 8,810 hours. The Commission estimates the total monetized burden for this requirement to be \$1,876,530. (\$426 per market center or broker-dealer that routes such orders x (381 market centers + 4,024 broker-dealers)).

62 8,810 hours / 3 years = 2,936.67 hours. The associated monetized burden is \$625,510 per year (\$1,876,530 annualized over three years).

## Total Annual Hourly Burden for Respondents: 229,784.33 hours

			A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Burden Description	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Annual Burden	Small Business Entities Affected
						[C / 3 years]		[D + E]	[F * B]	[G * A]	
Customer-Specific Disclosure on Handling of Non-Exempt Not Held Orders – Rule 606(b)(3)	Recordkeeping/Third party disclosure – New information collection	Update data capture systems and create reports in house	67	1	260 hours	86.67 hours	0 hours	86.67 hours	86.67 hours	5,806.67 hours	0
		Engage third party to update data capture systems and create reports	133	1	50 hours	16.67 hours	0 hours	16.67 hours	16.67 hours	2,216.67 hours	0
		Respond to customer requests in house	135	200	0 hours	0 hours	2 hours	2 hours	400 hours	54,000 hours	0
		Engage third party to respond to customer requests	65	200	0 hours	0 hours	1 hour	1 hour	200 hours	13,000 hours	0
		Update data capture systems and create reports in house	97	1	240 hours	80 hours	0 hours	80 hours	80 hours	7,760 hours	0
Quarterly Public Disclosure on Routing of Held Orders and Options Contracts – Rule 606(a)(1)	Recordkeeping/Third party disclosure – New information collection	Engage third party to update data capture systems and create reports	195	1	20 hours	6.67 hours	0 hours	6.67 hours	6.67 hours	1,300 hours	0
		Assess payment for order flow and profit-sharing relationships	292	1	10 hours	3.33 hours	25 hours	28.33 hours	28.33 hours	8,273.33 hours	0
		Update systems in-house to apply existing disclosure requirements to updated order categories	97	24	8 hours	8 hours	0 hours	8 hours	8 hours	776 hours	0
Customer-Specific Disclosure on Routing of Held Orders, Exempt Not Held Orders, and Options Contracts – Rule 606(b)(1)	Recordkeeping – New information collection	Engage third party to update systems to apply existing disclosure requirements to updated order categories	195	3	1 hour	1 hour	0 hours	1 hour	1 hour	195 hours	0
		Update Compliance Manuals	4,405	1	2 hours	0.67 hours	0 hours	0.67 hours	0.67 hours	2,936.67 hours	
Rule 606(a)(1)	Third party disclosure – Existing information collection	Create and issue quarterly report	292	4	0 hours	0 hours	40 hours	40 hours	160 hours	46,720 hours	0
Rule 606(b)(1)	Third party disclosure – Existing information collection	Respond to customer requests	217	2,000	0 hours	0 hours	0.2 hours	0.2 hours	400 hours	86,800 hours	0
<b>TOTAL:</b>										<b>229,784.33 hours</b>	

13. Costs to Respondents

A. Current Cost of Rule 606

As of the most recent PRA renewal in 2016, there were no applicable costs associated with the information collections associated with Rules 606(a) and (b)(1): (a) it was not anticipated that respondents would have to incur any capital and start-up cost to comply with these rules; (b) it was not anticipated that the respondents would have to incur any additional operational or maintenance cost to comply with these rules.

B. Cost of Adopted Rule 606

a. New Rule 606(b)(3)

i. Initial Reporting and Recordkeeping Costs

The Commission estimates the initial burden for each of the 67 broker-dealer that handles orders subject to the customer-specific disclosures required by Rule 606(b)(3) to purchase hardware and software upgrades to implement the requirements of the rule in-house to be \$15,000,<sup>63</sup> for a total initial burden of \$1,005,000.<sup>64</sup> The Commission initially estimated that 10 broker-dealers would need to update their systems to capture the data required by the rule for an individual burden of \$15,000 and a total burden of \$150,000.<sup>65</sup> The increase in burden from the Proposing Release estimate reflects the increase in number of respondents from 10 to 67, as discussed above.<sup>66</sup>

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63 The Commission estimates \$15,000 per broker-dealer to purchase the necessary hardware and software upgrades.

64 \$15,000 per broker-dealer who will need to purchase hardware and software upgrades x 67 such broker-dealers) = \$1,005,000.

65 See Proposing Release, supra note 3, at 49470.

66 See supra note 14.

The Commission estimates the initial burden for each of the 133 broker-dealer that handles orders subject to the customer-specific disclosures required by Rule 606(b)(3) to pay a third-party service provider to implement the requirements of the rule to be \$35,000,<sup>67</sup> for a total initial burden of \$4,655,000.<sup>68</sup> The Commission initially estimated that 15 broker-dealers would need to update their systems to capture the data required by the rule for an individual burden of \$35,000 and a total burden of \$525,000.<sup>69</sup> The increase in burden from the Proposing Release estimate reflects the increase in number of respondents from 15 to 133, as discussed above.<sup>70</sup>

Therefore, the estimated total initial cost to comply with adopted Rule 606(b)(3) is \$5,660,000<sup>71</sup> or \$1,886,666.67 per year when annualized over three years.<sup>72</sup> This is an increase over the initial Proposing Release estimate of \$925,000 or \$308,333.33 per year when annualized over three years, for the reasons discussed above.

i. Annual Reporting and Recordkeeping Costs

The Commission estimates the annual burden for broker-dealers that handle orders subject to the customer-specific disclosures required by Rule 606(b)(3) to respond to individual customer requests for information on order handling to be \$1,300,000.<sup>73</sup> This burden is unchanged from Proposing Release.

b. Amendments to Rules 606(a)(1) and 606(b)(1)

i. Initial Reporting and Recordkeeping Burden

The Commission estimates the initial burden for each of the 195 broker-dealer that handles orders subject to the disclosures required by Rule 606(a)(1) to engage a third-party service provider to implement the requirements of the rule to be \$32,000,<sup>74</sup> for a total initial

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67 The Commission estimates \$35,000 per broker-dealer to engage a third-party vendor to perform the necessary upgrades.

68 \$35,000 per broker-dealer who will need to engage a third-party vendor x 133 such broker-dealers) = \$4,655,000.

69 See Proposing Release, *supra* note 3, at 49470.

70 See *supra* note 14.

71 \$4,655,000 + \$1,005,000 = \$5,660,000.

72 \$5,660,000 / 3 years = \$1,886,666.67.

73 65 broker-dealers x 200 annual requests x \$100 per request to engage a third party service provider = \$1,300,000.

74 The Commission estimates \$32,000 per broker-dealer to engage a third-party vendor to perform the necessary upgrades.

burden of \$6,240,000.<sup>75</sup> The Commission initially estimated that 25 broker-dealers would need to update their systems to capture the data required by the rule for an individual burden of \$10,000 and a total burden of \$250,000.<sup>76</sup> The increase in burden from the Proposing Release estimate reflects the increase in number of respondents from 25 to 195, as discussed above.<sup>77</sup> It also represents an increase in the initial individual cost burden from \$10,000 hours to \$32,000 in response to the comment letter received.<sup>78</sup>

The Commission estimates the initial burden for each of the 195 broker-dealers that handle orders subject to the disclosures required by Rule 606(b)(1) to pay a third-party service provider to update their systems to include the amended categories of orders to which the disclosure applies<sup>79</sup> to be \$5,000,<sup>80</sup> for a total initial burden of \$975,000.<sup>81</sup>

The Commission included in these estimates the initial burden of making the reports available using the most recent versions of the XML schema and the associated PDF renderer as published on the Commission's Web site, as required by Rules 606(a)(1) and (b)(1), as amended.<sup>82</sup>

Therefore, the estimated total initial cost to comply with adopted Rules 606(a)(1) and (b)(1) is \$7,215,000<sup>83</sup> or \$2,405,000 per year when annualized over three years.<sup>84</sup> This is an increase over the initial Proposing Release estimate of \$466,000 or \$155,333.33 per year when annualized over three years, for the reasons discussed above.

## ii. Annual Reporting and Recordkeeping Costs

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75 \$32,000 per broker-dealer who will need to engage a third-party vendor x 195 such broker-dealers) = \$6,240,000.

76 See Proposing Release, supra note 3, at 49474-75.

77 See supra note 33.

78 See Adopting Release, supra note 4, at 58387 (citing Markit Letter, supra note 8, at 33).

79 This burden was not estimated in the Proposing Release because it reflects a change to the categories of orders subject to disclosure. See Adopting Release, supra note 4, at 58387-88.

80 The Commission estimates that a third-party service provider would charge an average of \$5,000 to upgrade a broker-dealer's systems to comply with adopted Rule 606(b)(1).

81 \$5,000 per broker-dealer who will need to engage a third-party vendor x 195 such broker-dealers) = \$975,000.

82 See Adopting Release, supra note 4, at 58387.

83 \$6,240,000 + \$975,000 = \$7,215,000.

84 \$7,215,000 / 3 years = \$2,405,000.



The Commission estimates no annual reporting or recordkeeping costs to comply with the amendments to Rules 606(a)(1) and (b)(1).

**Total Annual Cost for Respondents: \$5,591,666.67**

Summary of Dollar Costs											
Name of Information Collection	Type of Burden	Burden Description	A. Number of Entities Impacted	B. Annual Responses per Entity	C. Initial Cost per Entity per Response	D. Initial Cost Annualized per Entity per Response	E. Ongoing Cost per Entity per Response	F. Annual Cost Per Entity per Response	G. Total Annual Cost Per Entity	Total Annual Industry Cost	Small Business Entities Affected
						[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Customer-Specific Disclosure on Handling of Non-Exempt Not Held Orders –Rule 606(b)(3)	Recordkeeping/Third party disclosure – New information collection	Engage third party to update data capture systems and create reports	133	1	\$35,000.00	\$11,666.67	\$0.00	\$11,666.67	\$11,666.67	\$1,551,666.67	0
		Update data capture systems and create reports in house (hardware and software)	67	1	\$15,000	\$5,000.00	\$0.00	\$5,000.00	\$5,000.00	\$335,000.00	0
		Engage third party to respond to customer requests	65	200	\$0.00	\$0.00	\$100.00	\$100.00	\$20,000.00	\$1,300,000.00	0
Quarterly Public Disclosure on Routing of Held Orders and Options Contracts – Rule 606(a)(1)	Recordkeeping/Third party disclosure – New information collection	Engage third party to update data capture systems and create reports	195	1	\$32,000.00	\$10,666.67	\$0.00	\$10,666.67	\$10,666.67	\$2,080,000.00	0
Customer-Specific Disclosure on Routing of Held Orders, Exempt Not Held Orders, and Options Contracts – Rule 606(b)(1)	Recordkeeping/Third party disclosure – New information collection	Engage third party to update data capture systems and create reports	195	1	\$5,000.00	\$1,666.67	\$0.00	\$1,666.67	\$1,666.67	\$325,000.00	0
<b>TOTAL:</b>										<b>\$5,591,666.67</b>	

14. Costs to Federal Government

Not applicable.

15. Changes in Burden

As discussed above, the total annual hourly and cost burden have increased from the previous version of the Rule, as the adopted amendments are enhancing the current quarterly and customer-specific disclosure requirements for order routing under Rule 606(a)(1) and (b)(1), respectively, and adding new requirements for customer-specific reports on order handling under

Rule 606(b)(3). The burdens for the existing collections for Rule 606(a)(1) and 606(b)(1) are also increasing due an increase in the number of respondents since the most recent renewal: the number of broker-dealers subject to the information collection requirements of Rule 606(a)(1) increased from 266 to 292 and the number of clearing brokers subject to the information collection requirements of Rule 606(b)(1) increased from 185 to 217.

	2016			2018			Change		
	Respondents	Individual burden	Annual burden	Respondents	Individual burden	Annual burden	Respondents	Individual burden	Annual burden
Rule 606(a)(1)	<b>Hourly burden</b>								
	266	160 hours/year to issue quarterly reports	42,560 hours	292	160 hours/year to issue quarterly reports	46,720 hours	26	0 hours/year	4,160 hours
	N/A	N/A	N/A	97	80 hours/year annualized initial burden to implement amendments in-house.	7,760 hours	97	80 hours/year	7,760 hours
	N/A	N/A	N/A	195	6.67 hours/year annualized initial burden to implement amendments using third party.	1,300 hours	195	6.67 hours/year	1,300 hours
	N/A	N/A	N/A	292	28.33 hours/year to Assess payment for order flow and profit-sharing relationships	8,273.33 hours	292	28.33 hours/year	8,273.33 hours
	<b>Cost burden</b>								
N/A	\$0	\$0	195	\$10,666.67/year annualized initial cost to implement amendments using third party.	\$2,080,000	195	\$10,666.67/year	\$2,080,000	
Rule 606(b)(1)	<b>Hourly burden</b>								
	185	400 hours/year	74,000 hours	217	400 hours/year	86,800 hours	32	0 hours/year	12,800 hours
	<b>Cost burden</b>								
185	\$0	\$0	217	\$1,666.67	\$325,000	32	\$1,666.67/year	\$325,000	
Rule 606(b)(3)	<b>Hourly burden</b>								
	N/A	N/A	N/A	67	86.67 hours/year annualized initial burden to implement amendments in-house.	5,806.67 hours	67	86.67 hours/year	5,806.67 hours
	N/A	N/A	N/A	133	16.67 hours/year annualized initial burden to implement amendments using third party.	2,216.67 hours	133	16.67 hours/year	2,216.67 hours
	N/A	N/A	N/A	135	400 hours/year to respond to customer requests in-house	54,000 hours	135	400 hours/year	54,000 hours
	N/A	N/A	N/A	65	200 hours/year to respond to customer requests using third party	13,000 hours	65	200 hours/year	13,000 hours
	<b>Cost burden</b>								
	N/A	N/A	N/A	67	\$5,000.00/year annualized initial cost for hardware/software upgrades	\$335,000	67	\$5,000/year	\$335,000
N/A	N/A	N/A	133	\$11,666.67/year annualized initial cost to implement amendments using third party.	\$1,551,666.67	133	\$11,666.67/year	\$1,551,666.67	
N/A	N/A	N/A	65	\$20,000.00/year to respond to	\$1,300,000	65	\$20,000/year	\$1,300,000	

					customer requests using third party				
Update Compliance Manuals	<b>Hourly burden</b>								
	N/A	N/A	N/A	4,405	0.67 hours	2,936.67 hours	4,405	0.67 hours	2,936.67 hours

16. Information Collections Planned for Statistical Purposes

These are disclosures from brokers to the general public and to specific consumers who request certain information. The Commission is not collecting data. The Commission has no information to publish and no plans to publish any data for statistical or other purposes.

17. Approval to Omit OMB Expiration Date

Not applicable. The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable. This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods.

Not applicable.