

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 15c2-11**  
**OMB Control No. 3235-0202**  
**Partial Revision**

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C.

Section 3501 et seq.

**A. JUSTIFICATION**

**1. Information Collection Necessity**

On September 13, 1971, effective December 13, 1971,<sup>1</sup> the Securities and Exchange Commission (the “Commission”) adopted Rule 15c2-11 (17 CFR 240.15c2-11) (the “Rule”) under the Securities Exchange Act of 1934<sup>2</sup> to regulate the submission of quotations in a quotation medium by a broker-dealer for over-the-counter securities (“OTC securities”). The Rule is intended to prevent broker-dealers from publishing or submitting quotations for OTC securities that may facilitate a fraudulent or manipulative scheme. Subject to certain exceptions, the Rule prohibits broker-dealers from publishing or submitting a quotation for a security, or submitting a quotation for publication, in a quotation medium unless they have reviewed specified information concerning the issuer.

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<sup>1</sup> See *Initiation or Resumption of Quotations by a Broker or Dealer Who Lacks Certain Information*, Exchange Act Rel. No. 34-9310 (Sept. 13, 1971), 36 FR 18641 (Sept. 18, 1971). The Rule was last substantively amended in 1991. See 56 FR 19148.

<sup>2</sup> 15 U.S.C. 78a et seq.

### **Partial Revision to Collection of Information**

On September 16, 2020, the Commission adopted amendments<sup>3</sup> (the “amendments” or “amended Rule”) that focus more closely on those OTC securities that the Commission believes are more likely to be prone to fraud and manipulation by addressing the lack of transparency of some issuers. The Commission also adopted amendments to reduce regulatory burdens on broker-dealers for quotations concerning OTC securities that appear to present lower risk.

This partial revision provides new or updated burden estimates in connection with the amendments. These amendments were originally proposed on September 25, 2019, and the proposed burdens associated with the proposed rule changes were submitted for review in 2019.<sup>4</sup>

The information collections in the amended Rule are described in more detail below.<sup>5</sup>

<b>Information Collection</b>	<b>Provision of Amended Rule Containing Recordkeeping Requirement</b>
Recordkeeping associated with the initial publication or submission of a quotation in a quotation medium <sup>6</sup>	15c2-11(d)(1)
Recordkeeping when relying on an exception under paragraph (f), that paragraph (b) information is current and publicly available <sup>7</sup>	15c2-11(d)(2)

<sup>3</sup> *Publication or Submission of Quotations Without Specified Information*, Exchange Act Release Nos. 33-10842; 34-89891 (Sept. 16, 2020), 85 FR 68124 (Oct. 27, 2020) (the “Release”).

<sup>4</sup> See ICR Reference no. 202002-3235-005, available at [https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202002-3235-005](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202002-3235-005).

<sup>5</sup> See *infra*, Section 12.

<sup>6</sup> The OMB Control Number was extended in July of 2020 for two information collections associated with the initiation or resumption of a quotation for an OTC security, which entailed (i) conducting a review of and maintaining the required information (recordkeeping) and (ii) furnishing the information to an interdealer quotation system (third-party disclosure). The amended rule retains the recordkeeping requirement but updates the burden hours to reflect more recent underlying data in the information collection titled “recordkeeping associated with the initial publication or submission of a quotation in a quotation medium.” The third-party disclosure requirement was rescinded by the amended Rule, so this information collection is not included in the burden hours discussed herein. Accordingly, the Commission intends for the burden estimates in this supporting statement to replace the currently approved information collections.

<sup>7</sup> This is the same title that was used for this information collection in the Supporting Statement at the proposing stage.

Information Collection	Provision of Amended Rule Containing Recordkeeping Requirement
Recordkeeping obligations under unsolicited quotation exception under paragraph (f)(2) <sup>8</sup>	
Recordkeeping obligations regarding frequency of a priced bid or offer quotation under paragraph (f)(3)(i)(A) <sup>9</sup>	
Recordkeeping obligations concerning determining shell status under the proviso in paragraph (f)(3)(i)(B) <sup>10</sup>	
Recordkeeping obligations regarding trading suspensions under the provision in paragraph (f)(3)(i)(B) <sup>11</sup>	
Recordkeeping obligations for the exceptions under paragraph (f)(5) – Asset Test <sup>12</sup>	
Recordkeeping obligations for the exceptions under paragraph (f)(5) – ADTV Test <sup>13</sup>	
Recordkeeping obligations of broker-dealers relying on a qualified IDQS complying with information review requirement pursuant to paragraph (a)(1)(ii) <sup>14</sup>	15c2-11(a)(1)(ii)
Recordkeeping obligations related to the creation of	15c2-11(a)(3)

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<sup>8</sup> This is the same title that was used for this information collection in the Supporting Statement at the proposing stage.

<sup>9</sup> This is a new information collection not included in the Supporting Statement at the proposing stage. The Commission adopted this requirement, which is discussed in more detail below, to “avoid unduly impeding liquidity for investors and capital formation for issuers while still addressing the vulnerability of the piggyback exception to be used to facilitate potential fraud and manipulation.” *See* Release at 68150.

<sup>10</sup> This is the same title that was used for this information collection in the Supporting Statement at the proposing stage. The paragraph number has changed from the proposed Rule.

<sup>11</sup> This is a new information collection not included in the Supporting Statement at the proposing stage. The Commission adopted this requirement, which is discussed in more detail below, to eliminate the ability of a broker-dealer to rely on the piggyback exception with respect to a security that is the subject of a trading suspension order issued by the Commission pursuant to section 12(k) of the Exchange Act until 60 calendar days after the expiration of such order. *See* Release at 68150.

<sup>12</sup> This is the same title that was used for this information collection in the Supporting Statement at the proposing stage.

<sup>13</sup> This is the same title that was used for this information collection in the Supporting Statement at the proposing stage.

<sup>14</sup> This information collection replaces the proposed exception in Proposed Rule 15c2–11(f)(7), titled “Recordkeeping obligations concerning reliance on an IDQS under proposed paragraph (f)(7)” in the Supporting Statement at the proposing stage. The adopted provision is substantively the same as the proposed exception, but was modified in order to streamline the amended Rule and facilitate compliance. *See* Release at 68131.

Information Collection	Provision of Amended Rule Containing Recordkeeping Requirement
reasonable written policies and procedures under paragraph (a)(3) <sup>15</sup>	
Recordkeeping obligations of broker-dealers relying on publicly available determinations by qualified IDQs or registered national securities associations pursuant to paragraph (d)(2)(ii) <sup>16</sup>	15c2-11 (d)(2)(ii)

## 2. Information Collection Purpose and Use

The information collections under the amended Rule are intended to prevent broker-dealers from publishing or submitting quotations for OTC securities that may facilitate a fraudulent or manipulative scheme and to help ensure compliance with the Rule's exceptions.

## 3. Consideration Given to Information Technology

The amended Rule seeks to, among other things, better protect retail investors from incidents of fraud and manipulation in OTC securities by modernizing the Rule to be more efficient and effective. Accordingly, the information collections are designed to incorporate advances in information technology and the internet that have occurred since the Rule was last amended in 1991.<sup>17</sup>

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<sup>15</sup> This is a new information collection replacing the proposed recordkeeping provision titled "Recordkeeping obligations related to the creation of reasonable policies under proposed paragraph (f)(8)" at the proposing stage. The new provision strengthened the proposed Rule's policies and procedures requirements for making publicly available determinations based on comments expressing that the proposal would weaken Commission oversight of compliance with the Rule. *See* Release at 68132.

<sup>16</sup> This is a new information collection not included in the Supporting Statement at the proposing stage, consistent with the proposal, requiring that a broker-dealer that publishes a quotation in reliance on a publicly available determination of a qualified IDQS or a registered national securities association preserve a record of the exception for which the publicly available determination is made and a record of the name of such qualified IDQS or registered national securities association that made the determination. *See* Release at 68163.

<sup>17</sup> *See e.g.*, Release at 68125.

The amended Rule provides respondents with flexibility on when and how records should be kept<sup>18</sup> and does not limit respondents to using forms of electronic storage which may become obsolete as new technology is developed. Accordingly, respondents have the ability to utilize information technology to meet the requirements of the amended Rule and are permitted to utilize new future developments in technology in ways that may reduce burdens.

Additionally, the Commission leveraged information technology to avoid redundant or unnecessary reporting and recordkeeping obligations in the amended Rule. For example, obligations in paragraph (d)(1) and (d)(2) the amended Rule, provide that paragraph (b) information is not required to be preserved if it is available on the Commission's Electronic Data Gathering, Analysis and Retrieval System ("EDGAR").<sup>19</sup>

Further, the amended Rule modified the requirement that a broker-dealer make the information that it obtained and reviewed as a part of the information collection associated with the publication or submission of quotations "reasonably available upon request" to investors seeking such information by permitting broker-dealers to direct the investors to the publicly-available information upon which the broker-dealer relied to comply with the requirement. The amendments leverage information technology to reduce the burden of the information collection requirement relative to the previous information collection requirement.<sup>20</sup>

#### **4. Duplication**

The information collection requirements under the amended Rule are not duplicated elsewhere.

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<sup>18</sup> See Release at 68178.

<sup>19</sup> See 17 CFR 240.15c2-11(d)(1), (2).

<sup>20</sup> See Release at 68162-68163.

## 5. Effects on Small Entities

The Commission believes that the amended Rule impacts the 80 broker-dealers that publish or submit quotations on OTC Markets Group's systems, one qualified IDQS, and one national securities association. A broker-dealer is a small entity if it has total capital (net worth plus subordinated liabilities) of less than \$500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared pursuant to §240.17a-5(d), and it is not affiliated with any person (other than a natural person) that is not a small business or small organization.

Based on a review of data involving the 80 broker-dealers that publish quotations for OTC securities, the Commission does not believe that any of the 80 broker-dealers impacted by the amended Rule are small entities under the above definition because they either exceed \$500,000 in total capital or are affiliated with a person that is not a small entity as defined in Rule 0-10.<sup>21</sup> It is possible that in the future a small entity may become impacted by the amended Rule. Based on experience with broker-dealers that participate in this market, however, the Commission preliminarily believes that this scenario will be unlikely since firms that enter the market are likely to exceed \$500,000 in total capital or be affiliated with a person that is not a small entity. Additionally, neither the one qualified IDQS nor the one national securities association are small entities. **Accordingly, zero small entities are effected by the adopted amendments.**

## 6. Consequences of Not Conducting Collection

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<sup>21</sup> See Release at 68203.

The amendments focus the Rule more closely on those OTC securities that the Commission believes are more likely to be prone to fraud and manipulation by addressing the lack of transparency of some issuers.<sup>22</sup> The amendments also reduce regulatory burdens on broker-dealers for quotations concerning OTC securities that appear to present lower risk, such as highly liquid securities of certain well-capitalized issuers and securities that were issued in offerings underwritten by the broker-dealer publishing the quote.<sup>23</sup>

Without the information collection associated with the initial publication or submission of quotations it would be extremely difficult, if not impossible, for the Commission to determine that the information review requirements in paragraphs (a)-(c) have been met during an examination. Further, since the frequency of responses is dependent on the publication or submission of a quotation, it is not possible to decrease the frequency of the information collection while still subjecting respondents to the requirement.

Similarly, without the information collections associated with broker-dealers relying on an exception to the amended Rule, it would be extremely difficult, if not impossible, for the Commission to determine whether broker-dealers meet the requirements of the exceptions during an examination.<sup>24</sup> As mentioned above, the amended Rule provides broker-dealers with flexibility in how they can create records to document reliance on an exception and that many of these records

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<sup>22</sup> See Release at 68184.

<sup>23</sup> *Id.*

<sup>24</sup> As the Commission noted in the release that proposed the amendments, there have been instances during examinations where broker-dealers have not had records regarding the basis of their reliance on an exception to the existing Rule. See *Publication or Submission of Quotations Without Specified Information*, Exchange Act Rel. No. 34-87115 (Sept. 25, 2019), 84 FR 58206, 58233 (Oct. 30, 2019) (“Proposing Release”).

may not need to be created every time a broker-dealer publishes or submits a quotation relying on an exemption,<sup>25</sup> which limits the burden of the information collection.

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

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

#### **8. Consultations Outside the Agency**

In the Proposing Release, the Commission solicited public comment on the new collection of information requirements and the associated paperwork burdens. The Commission received one comment regarding the collection of information requirements, which focused on the Commission's estimates of burdens and costs associated with determining an issuer's status as a shell company. The commenter stated that the Commission's one minute average estimate significantly underestimated the amount of time it would take a broker-dealer to determine whether an issuer is a shell company.<sup>26</sup> In response to this comment, the Commission noted that there may be wide disparities in the time it may take to determine whether an issuer is a shell company depending on whether the issuer discloses its shell company status.<sup>27</sup> In some instances, it may take less than one minute to assess whether a company is a shell company, while in other instances, it may take longer than one minute. A broker-dealer, qualified IDQS, or registered national securities association may rely on an issuer's self-identification as a shell company in its review of the issuer's documents and information, for example, as specified in paragraph (b)(5)(i)(H) of the amended Rule, regarding a description of the issuer's business.<sup>28</sup> For the foregoing reasons,

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<sup>25</sup> See Release at 68178-68179.

<sup>26</sup> Letter from Leonard Burningham to SEC (Dec. 30, 2019).

<sup>27</sup> See Release at 68180.

<sup>28</sup> 17 CFR 240.15c2-11(b)(5)(i)(H).



the Commission believes that one minute remains an appropriate average estimated length of time to review and create a record of whether an issuer is a shell company.

**9. Payment or Gift**

The Commission did not provide any payment or gift to respondents.

**10. Confidentiality**

Not applicable. Respondents receive no assurance of confidentiality.

**11. Sensitive Questions**

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

## 12. Information Collection Burden

The commission estimates that the information collections in the amended Rule will be as set forth in the chart below.<sup>29</sup> A more detailed description of the information collections is immediately below the chart. The new collections were adopted pursuant to the Commission's rulemaking authority and, accordingly, were categorized as a program change due to agency discretion.

Summary of Hourly Burdens										
		A.	B.	C.	D.	E.	F.	G.	H.	I.
Name of Information Collection	Type of Burden	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 Industry Burden	Small Business Entities Affected
					[C / 3 years]		[D + E]	[F * B]	[G * A]	
Recordkeeping Associated with the initial publication or submission of a Quotation in a Quotation Medium	Recordkeeping	82	54	0	0	5.515	5.515	297.81	24,421	0

<sup>29</sup> Due to rounding conventions in ROCIS, some of the Total Industry Burdens in Column H. of the chart are an hour higher or lower than they are calculated in ROCIS.

Recordkeeping when relying on an exception under paragraph (f), that proposed paragraph (b) information is current and publicly available	Recordkeeping	82	1	1	0.33	540	540.33	540.33	44,308	0
Recordkeeping obligations under unsolicited quotation exception under paragraph (f)(2)	Recordkeeping	80	1	3	1	1,204.638	1,205.638	1,205.638	96,452	0
Recordkeeping obligations regarding the frequency of a priced bid or offer quotation, pursuant to paragraph (f)(3)(i)(A)	Recordkeeping	82	1	3	1	807.939	808.939	808.939	66,333	0
Recordkeeping obligations regarding determining shell status	Recordkeeping	82	1	3	1	540	541	541	44,362	0

under paragraph (f)(3)(i)(B)										
Recordkeeping obligations concerning trading suspensions under paragraph (f)(3)(i)(B)	Recordkeeping	82	1	3	1	3.549	4.549	4.549	374	0
Recordkeeping obligations for the exceptions under paragraph (f)(5) – Asset Test	Recordkeeping	82	1	0	0	3	3	3	246	0
Recordkeeping obligations for the exceptions under paragraph (f)(5) – ADTV Test	Recordkeeping	82	1	3	1	756	757	757	62,074	0
Recordkeeping obligations of broker-dealers relying on a qualified IDQS complying with information	Recordkeeping	80	1	3	1	0.225	1.225	1.225	98	0

review requirement pursuant to paragraph (a)(1)(ii)										
Recordkeeping obligations related to the creation of reasonable written policies and procedures under paragraph (a)(3)	Recordkeeping	2	1	18	6	10	16	16	32	0
Recordkeeping obligations of broker-dealers relying on publicly available determinations by qualified IDQs or registered national securities associations under paragraph (d)(2)(ii)	Recordkeeping	80	1	3	1	807.938	808.938	808.938	64,716	0
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>									<b>403,416<sup>30</sup></b>	

<sup>30</sup> Due to rounding conventions in the ROCIS system, the total in ROCIS is calculated as 403,411.

**a. Burden Associated with the Initial Publication or Submission of a Quotation in a Quotation Medium**

Absent an exception, paragraph (a) of the amended Rule requires broker-dealers to comply with an information review requirement prior to the initial publication or submission of a quotation for an OTC security. The Commission believes that the information collections associated with the information review requirement involve conducting a review of and maintaining the required information.

A broker-dealer that initiates or resumes a quotation in an OTC equity security is subject to FINRA Rule 6432, which requires the broker-dealer to demonstrate compliance with, among other things, Rule 15c2-11 by filing a Form 211. Given the alignment of this FINRA requirement and the Rule, the Commission believes that the number of Forms 211 filed with FINRA in 2019 provides a reasonable baseline from which to estimate the burdens associated with the information review requirement under both the former Rule and the amended Rule. Based on information provided by FINRA, broker-dealers submitted a total of 384 Forms 211 to initiate the publication or submission of quotations of OTC securities in 2019: 87 of these Forms 211 concerned securities of prospectus issuers, Reg. A issuers, and reporting issuers; 253 concerned securities of exempt foreign private issuers; and 44 concerned securities of catch-all issuers.<sup>31</sup> The hourly burdens associated with the initial publication or submission of a quotation are estimated by multiplying the number of times the information review was completed in 2019 by the number of hours required to complete it and adjusted to account for the adopted amendments. Consistent with prior estimates, the Commission estimates that it takes about three hours to review, record, and retain the information pertaining to prospectus issuers, Reg. A

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<sup>31</sup> See Release at 68175.

issuers, and reporting issuers, and seven hours to review, record, and retain the information pertaining to exempt foreign private issuers and catch-all issuers, across 82 respondents.<sup>32</sup> The Commission does not expect that these changes to the information review requirement would create any initial burden, as it is unlikely that a broker-dealer or qualified IDQS would need to modify its systems or training practices to comply with the information review requirement under the amended Rule. The Commission estimates total industry burden of 73,263 hours<sup>33</sup> over a three year period, **or 24,421 hours when annualized.**<sup>34</sup>

**b. Recordkeeping Demonstrating that the Requirements of an Exception have been Met**

Paragraph (d)(2) requires that certain broker-dealers, qualified IDQs, or registered national securities associations preserve documents and information that demonstrate that the requirements for an exception under paragraph (f) are met. The Commission believes that the requirements in these exceptions, to have current and publicly available paragraph (b) information that is timely filed, or filed within 180 calendar days from a specified period, create ongoing recordkeeping burdens for respondents under paragraph (d)(2). There are 9,895 unique issuers of quoted OTC securities for which broker-dealers would be required to maintain records to establish that paragraph (b) information is current and publicly available, timely filed, or filed

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<sup>32</sup> 82 broker-dealers + 1 qualified IDQS + registered national securities association = 82 respondents. The burden for all information reviews regardless of issuer type are added together in this discussion and combined into a single line item in the chart in this section to continue with conventions used in prior supporting statements. The “Summary of Hourly Burdens” chart below, therefore, uses a blended average number of ongoing burden per entity per response.

<sup>33</sup> 24,421 hours x 3 = 73,263 hours. All annualized numbers are rounded up to the nearest whole number.

<sup>34</sup> As further discussed in item 15 below, the Commission estimates that the total industry-wide burden associated with the initial publication or submission of a quotation for the information review of prospectus, Reg. A, or reporting issuers would be 4,869 hours. The Commission also estimates that the total industry-wide burden associated with the initial publication or submission of a quotation for the information review of exempt foreign private issuers and catch-all issuers would be 19,551 hours. 24,420 is the sum of these two estimates.

within 180 calendar days from the specified period, as applicable, and respondents would create such documentation no more frequently than quarterly for SEC/Reg. A/bank reporting obligation issuers and foreign private issuers, and annually for catch-all issuers.<sup>35</sup> Of these 9,895 issuers, 3,081 are SEC/Reg. A/Bank Reporting Obligation issuers, 4,413 are exempt foreign private issuers, and 2,401 are catch-all issuers.<sup>36</sup>

It is estimated that it would take one minute to create such documentation regarding the determination that the paragraph (b) information is current and publicly available, timely filed, or filed within 180 calendar days from the specified period, as applicable. The Commission believes that respondents already have systems and personnel in place to create these records, so the initial burden of putting procedures in place to ensure compliance with the amendments would be limited to one hour of internal cost per respondent, or 0.33 annualized hours, and an ongoing burden of approximately 540 hours per respondent per year (including the first year),<sup>37</sup> across 82 respondents.<sup>38</sup> As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 82 hours<sup>39</sup> in the first year, and an ongoing burden of 44,280

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<sup>35</sup> See Release at 68179.

<sup>36</sup> See Release at 68178.

<sup>37</sup> [(3,081 SEC/Reg. A/Bank Reporting Obligation issuers x 1 minute x 4 responses per year) + (4,413 exempt foreign private issuers x 1 minute x 4 responses per year) + (2,401 catch-all issuers x 1 minute x 1 responses per year)] / 60 = 540 hours. Given the multiple steps, rounding, and small numbers involved in calculating this estimate, the Commission will show one response per entity in the “Summary of Hourly Burdens” chart below to ensure that the result in the “Total Industry Burden” column exactly matches the rounded number.

<sup>38</sup> 80 broker-dealers + 1 qualified IDQS + registered national securities association = 82 respondents.

<sup>39</sup> 1 hour x 82 respondents = 82 hours.



hours per year (including the first year).<sup>40</sup> Over a three year period, the total industry burden is estimated to be 132,922 hours,<sup>41</sup> **or 44,308 hours per year when annualized.**<sup>42</sup>

**c. Unsolicited Quotation Exception—Rule 15c2–11(f)(2)**

Paragraph (f)(2) excepts the publication or submission by a broker or dealer, solely on behalf of a customer (other than a person acting as or for a dealer), of a quotation that represents the customer’s unsolicited indication of interest. The Commission believes that this amendment creates ongoing recordkeeping burdens for broker-dealers relying on the unsolicited quotation exception to demonstrate that the quotation is not by or on behalf of a company insider or an affiliate of the issuer. Based on data from OTC Markets Group, there were 5,782,286 quotations published in reliance on the unsolicited quotation exception in 2019.<sup>43</sup> The Commission is including all unsolicited customer quotations in its estimate and estimating that the number would remain consistent on an annual basis for the purpose of this analysis.

It is estimated that it would take a respondent approximately one minute to create a record regarding such unsolicited customer quotation or to review and document the written representation of a customer’s broker that the quotation is not on behalf of a company insider or an affiliate of the issuer. The Commission believes that respondents would already have systems and personnel in place that they would use to create these records, so the initial burden of putting procedures in place to ensure compliance would be limited to three hours of internal cost per

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<sup>40</sup> 540 hours per respondent x 82 respondents = 44,280 hours.

<sup>41</sup> (82 hours in the first year + 44,280 hours in the first year) + 44,280 hours in the second year + 44,280 hours in the third year = 132,922 hours.

<sup>42</sup> 132,922 hours / 3 years = 44,308 hours per year.

<sup>43</sup> See Release at 68179.

broker-dealer to reprogram systems and capture the records, or one annualized hour, and an ongoing burden of 1,205 hours per broker-dealer per year (including the first year),<sup>44</sup> across 80 broker-dealers. As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 240 hours<sup>45</sup> in the first year, and an ongoing burden of 96,371 hours per year (including the first year).<sup>46</sup> Over a three year period, the total industry burden is estimated to be 289,353 hours,<sup>47</sup> **or 96,452 hours per year when annualized.**<sup>48</sup>

**d. Piggyback Exception—Rule 15c2–11(f)(3)**

The piggyback exception in paragraph (f)(3) requires that there be no more than four business days in succession without a bid or offer priced quotation. To comply with this requirement, broker-dealers relying on the piggyback exception, and each qualified IDQS or registered national securities association that makes publicly available determinations regarding the availability of the piggyback exception, must preserve documents and information regarding this frequency of priced bid or offer quotation requirement. The Commission estimates that respondents would make determinations regarding the frequency of quotation requirement once per trading day and take approximately one second to create a record regarding the frequency of a priced bid or offer quotation, pursuant to paragraph (f)(3)(i) of the amended Rule.

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<sup>44</sup>  $(5,782,286 \text{ quotations} \times 1 \text{ minute}) / 60 \text{ minutes} = 96,371 \text{ hours for the industry. } 96,371 \text{ hours} / 80 \text{ broker-dealers} = 1,205 \text{ hours.}$  Given the multiple steps, rounding, and small numbers involved in calculating this estimate, the Commission will show one response per entity in the “Summary of Hourly Burdens” chart below to ensure that the result in the “Total Industry Burden” column matches the estimated rounded number.

<sup>45</sup>  $3 \text{ hours} \times 80 \text{ broker-dealers} = 240 \text{ hours.}$

<sup>46</sup>  $(5,782,286 \text{ quotations} \times 1 \text{ minute}) / 60 \text{ minutes} = 96,371 \text{ hours.}$

<sup>47</sup>  $(240 \text{ hours in first year} + 96,371 \text{ hours in the first year}) + 96,371 \text{ hours in the second year} + 96,371 \text{ hours in the third year} = 289,353 \text{ hours.}$

<sup>48</sup>  $289,353 \text{ hours} / 3 \text{ years} = 96,452 \text{ hours per year.}$  All annualized numbers are rounded up to the nearest whole number based on the Summary of Hourly Burdens Chart above.

The Commission believes that respondents would already have systems and personnel in place that they would use to create these records, so the initial burden of putting procedures in place to ensure compliance would be limited to three hours of internal cost per respondent to reprogram systems and capture the records, or one annualized hour, and an ongoing burden of 808 hours per respondent per year (including the first year),<sup>49</sup> across 82 respondents.<sup>50</sup> As stated in the Adopting Release, the Commission estimates an estimated industry-wide initial burden of 246 hours<sup>51</sup> in the first year, and an ongoing burden of 66,251 hours per year (including the first year).<sup>52</sup> Over a three year period, the total industry burden is estimated to be 198,999 hours,<sup>53</sup> **or 66,333 hours per year when annualized.**<sup>54</sup>

The proviso in paragraph (f)(3)(i)(B) eliminates eligibility for the piggyback exception for quotations for securities of shell companies that are published or submitted 18 months following the publication or submission of the initial priced quotation for such issuer's security in an IDQS. The Commission estimates that respondents would spend one minute per issuer to identify shell companies and preserve documents and information that demonstrate that the issuer of the OTC security is not a shell company, and that respondents would review such information based on how frequently information for that issuer is filed or made current and

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<sup>49</sup>  $1/3600$  (one second)  $\times$  252 (trading days per year)  $\times$  11,542 (number of securities) = 808 hours per respondent.

<sup>50</sup> 80 broker-dealers + 1 qualified IDQS + registered national securities association = 82 respondents.

<sup>51</sup> 3 hours  $\times$  82 respondents = 246 hours.

<sup>52</sup> 82 respondents  $\times$   $1/3600$  (one second)  $\times$  252 (trading days per year)  $\times$  11,542 (number of securities) = 66,251 hours.

<sup>53</sup> (246 hours in the first year + 66,251 hours in the first year) + 66,251 hours in the second year + 66,251 hours in the third year = 198,999 hours.

<sup>54</sup> 198,999 hours / 3 years = 66,333 hours per year.

publicly available. There are 9,895 unique issuers of quoted OTC securities. Of these 9,895 issuers, 3,081 are SEC/Reg. A/Bank Reporting Obligation issuers, 4,413 are exempt foreign private issuers, and 2,401 are catch-all issuers.<sup>55</sup>

The Commission believes that respondents already have systems and personnel in place to create these records, so the initial burden of putting procedures in place to ensure compliance with the amendments would be limited to three hours of internal cost, or one annualized hour, and an ongoing burden of 540 hours per respondent per year (including the first year),<sup>56</sup> across 82 respondents.<sup>57</sup> As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 246 hours,<sup>58</sup> and an ongoing burden of 44,280 hours (including the first year).<sup>59</sup> Over a three year period, the total industry burden is estimated to be 133,086 hours,<sup>60</sup> **or 44,362 hours when annualized.**<sup>61</sup>

The proviso in paragraph (f)(3)(i)(B) amended Rule also limits the ability of a broker-dealer, qualified IDQS, or national securities association to rely on the piggyback exception with respect to a security that is the subject of a trading suspension order issued by the Commission

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<sup>55</sup> See Release at 68178.

<sup>56</sup>  $(3,081 \text{ SEC/Reg. A/Bank Reporting Obligation issuers} \times 1 \text{ minute} \times 4 \text{ responses per year}) + (4,413 \text{ exempt foreign private issuers} \times 1 \text{ minute} \times 4 \text{ responses per year}) + (2,401 \text{ catch-all issuers} \times 1 \text{ minute} \times 1 \text{ response per year}) / 60 = (12,324 + 17,652 + 2,401) / 60 = 540 \text{ hours}$ . Given the multiple steps, rounding, and small numbers involved in calculating this estimate, the Commission will show one response per entity in the Item 12 chart below to ensure that the result in the “Total Industry Burden” column matches the estimated rounded number.

<sup>57</sup>  $80 \text{ broker-dealers} + 1 \text{ qualified IDQS} + \text{registered national securities association} = 82 \text{ respondents}$ .

<sup>58</sup>  $3 \text{ hours} \times 82 \text{ respondents} = 246 \text{ hours}$ .

<sup>59</sup>  $540 \text{ hours} \times 82 \text{ respondents} = 44,280 \text{ hours}$ .

<sup>60</sup>  $(246 \text{ hours in the first year} + 44,280 \text{ in the first year}) + 44,280 \text{ hours in the second year} + 44,280 \text{ hours in the third year} = 133,086 \text{ hours}$ .

<sup>61</sup>  $133,086 / 3 \text{ years} = 44,362 \text{ hours per year}$ .

pursuant to section 12(k) of the Exchange Act until 60 calendar days after the expiration of such order. The Commission believes that respondents would only create records for securities that have been the subject of a trading suspension issued by the Commission pursuant to section 12(k). In 2019, the Commission issued a trading suspension for 213 securities.

It is estimated that it would take respondents one minute to create a record regarding whether a security has been subject to a trading suspension. The Commission believes that respondents already have systems and personnel in place to create these records, so the initial burden of putting procedures in place to ensure compliance with the proposed amendments would be limited to three hours of internal cost, or one annualized hour per respondent, and an ongoing burden of approximately 4 hours per year per respondent (including the first year),<sup>62</sup> across 82 respondents.<sup>63</sup> As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 246 hours<sup>64</sup> in the first year, and an ongoing burden of 291 hours (including the first year).<sup>65</sup> Over a three year period, the total industry burden is estimated to be 1,119 hours,<sup>66</sup> **or 374 hours per year when annualized.**<sup>67</sup>

**e. ADTV and Asset Test Exception—Rule 15c2–11(f)(5)**

Paragraph (f)(5) of the amendments excepts securities with (i) a worldwide average daily trading volume value of at least \$100,000 reported during the 60 calendar days immediately

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<sup>62</sup> (1/60 hour) x (213 securities) = 4 hours.

<sup>63</sup> 80 broker-dealers + 1 qualified IDQS + 1 registered national securities association = 82 respondents.

<sup>64</sup> 3 hours x 82 respondents = 246 hours.

<sup>65</sup> 82 respondents x (1/60 hour) x 213 securities = 291 hours.

<sup>66</sup> (246 hours in the first year + 291 hours in the first year) + 291 hours in the second year + 291 hours in the third year = 1,119 hours.

<sup>67</sup> 1,119 hours / 3 years = 374 hours per year.

before the publication of the quotation of such security ( “ADTV test”) and (ii) the issuer of such security has at least \$50 million in total assets and \$10 million in shareholders’ equity as reflected in the issuer’s publicly available audited balance sheet issued within six months after the end of its most recent fiscal year (“asset test” or, collectively with ADTV, the “ADTV and asset tests”). It is estimated that there are approximately 180 securities that meet the amended Rule paragraph (f)(5) ADTV and asset tests. It is estimated it would take one minute to create documentation supporting respondents’ reliance on the asset test prong of the exception and that broker-dealers would do this once annually per issuer. Accordingly, each respondent would spend approximately 3 hours<sup>68</sup> on this information collection annually, across 82 respondents.<sup>69</sup> Over a three year period, **the total industry burden is estimated to be 246 hours.**<sup>70</sup>

Additionally, the Commission estimates that it would take one minute for a respondent to preserve documents and information that demonstrate that the requirements of the ADTV test have been met, and that each respondent would do this 252 times a year (i.e., each trading day).<sup>71</sup> The Commission believes that respondents already have systems and personnel in place to create these records, so the initial burden of putting procedures in place to ensure compliance with the proposed amendments would be limited to three hours of internal cost, or one annualized hour per respondent, and an ongoing burden of approximately 756 hours per respondent per year

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<sup>68</sup> 180 securities x 1 minute / 60 = 3 hours.

<sup>69</sup> 80 broker-dealers + 1 qualified IDQS + 1 registered national securities association = 82 respondents. Given the multiple steps, rounding, and small numbers involved in calculating this estimate, the Commission will show one response per entity in the “Summary of Hourly Burdens” chart below to ensure that the result in the “Total Industry Burden” column matches the estimated rounded number.

<sup>70</sup> 3 hours x 82 respondents = 246 hours.

<sup>71</sup> Given the multiple steps and rounding involved in calculating this estimate, the Commission will show one response per entity in the “Summary of Hourly Burdens” chart below to ensure that the result in the “Total Industry Burden” column matches the estimated rounded number.

(including the first year),<sup>72</sup> across 82 respondents.<sup>73</sup> As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 246 hours in the first year,<sup>74</sup> and an ongoing industry-wide burden of 61,992 hours per year (including the first year).<sup>75</sup> Over a three year period, the total industry burden is estimated to be 186,222 hours,<sup>76</sup> **or 62,074 hours when annualized.**<sup>77</sup>

**f. Broker -Dealer That Publishes a Qualified IDQS Review Quotation—  
Rule 15c2-11(a)(1)(ii)**

Paragraph (a)(1)(ii) of the amended Rule allows broker-dealers to rely on a qualified IDQS's publicly available determination that it complied with the information review requirement. Paragraph (d)(1)(ii) of the amended Rule requires that broker-dealers maintain a record of the name of the qualified IDQS that made such publicly available determination. The Commission conservatively estimates that qualified IDQSs would conduct the required review for five percent of the relevant subset of OTC securities, i.e. certain securities that are less likely to be targeted for fraudulent activity, and that each broker-dealer would document its reliance on a qualified IDQS's compliance with the information review requirement once per year per issuer.<sup>78</sup> Assuming that the information required to document compliance with the exception

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<sup>72</sup> (252 trading days per year x 180 securities x 1 minute) / 60 minutes = 756 hours.

<sup>73</sup> 80 broker-dealers + 1 qualified IDQS + 1 registered national securities association = 82 respondents.

<sup>74</sup> 3 hours x 82 respondents = 246 hours. The aggregate initial burden of 246 hours is for the industry to reprogram systems and capture the record regarding whether the requirements of both the ADTV and asset tests have been met.

<sup>75</sup> 756 hours x 82 respondents = 61,992 hours.

<sup>76</sup> (246 hours in the first year + 61,992 hours in the first year) + 61,992 hours in the second year + 61,992 hours in the third year = 186,222 hours.

<sup>77</sup> 186,222 hours / 3 years = 62,074 hours per year.

<sup>78</sup> See Release at 68182.

would be publicly available, the Commission estimates that each respondent would spend approximately one minute creating each record. The Commission believes that respondents would already have systems and personnel in place to create these records, so the initial burden of putting procedures in place to ensure compliance with the amendments would be limited to three hours of internal cost per respondent, or one annualized hour, and an ongoing burden of 0.22 hours per respondent per year (including the first year),<sup>79</sup> across 80 broker-dealers. As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 240 hours,<sup>80</sup> and an ongoing burden of 18 hours (including the first year).<sup>81</sup> Over a three year period, the total industry burden is estimated to be 294 hours,<sup>82</sup> **or 98 hours when annualized.**<sup>83</sup>

**g. Policies and Procedures for a Qualified IDQSs or Registered National Securities Association to Make a Publicly Available Determination —Rule 15c2-11(a)(3)**

Under the amended Rule paragraph (a)(3), a qualified IDQS or registered national securities association must establish, maintain, and enforce reasonably designed written policies and procedures to make certain publicly available determinations. The Commission estimates that it would take one qualified IDQS and one registered national securities association subject to the amended Rule approximately 18 hours of initial burden each to initially prepare these written policies and procedures, and an ongoing annual burden of 10 hours each (including the first year) to review and update policies and procedures. Given the sophistication of the qualified IDQS

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<sup>79</sup> 13 issuers × 1 minute = 13 minutes or 0.22 hours.

<sup>80</sup> 3 hours x 80 broker-dealers = 240 hours.

<sup>81</sup> 0.22 hours x 80 broker-dealers = 18 hours.

<sup>82</sup> (240 hours in the first year + 18 hours in the first year) + 18 hours in the second year + 18 hours in the third year = 294 hours.

<sup>83</sup> 294 hours / 3 years = 98 hours per year.



and the registered national securities association, the Commission estimates that this burden would be borne internally. As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 36 hours,<sup>84</sup> and an ongoing industry-wide burden of 20 hours (including the first year).<sup>85</sup> Over a three year period, the total industry burden is 96 hours,<sup>86</sup> **or 32 hours when annualized.**<sup>87</sup>

**h. Broker-Dealer Recordkeeping in Reliance on Publicly Available Determinations by a Qualified IDQS or Registered National Securities Association—Rule 15c2-11(d)(2)(ii)**

Paragraph (d)(2)(ii) of the amended Rule requires broker-dealers that rely on publicly available determinations described in paragraph (f)(2)(iii)(B) or (f)(3)(ii)(A) to preserve the name of the qualified IDQS or registered national securities association that made such a determination. Paragraph (d)(2)(ii) of the amended Rule also requires that broker-dealers that rely on publicly available determinations described in paragraph (f)(7) of the amended Rule preserve a record of the exception upon which the broker-dealer is relying and the name of the qualified IDQS or registered national securities association that determined that the requirements of that exception are met. The Commission estimates that respondents would create documents as required by paragraph (d)(2)(ii) each trading day, and that respondents would spend approximately one second creating such a record. The Commission believes that broker-dealers would already have administrative systems and procedures, as well as personnel, in place to

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<sup>84</sup> 18 hours x (1 qualified IDQS + 1 registered national securities association) = 36 hours.

<sup>85</sup> 10 hours x (1 qualified IDQS + 1 registered national securities association) = 20 hours.

<sup>86</sup> (36 hours in the first year + 20 hours in the first year) + 20 hours in the second year + 20 hours in the third year = 96 hours.

<sup>87</sup> 96 hours / 3 years = 32 hours.

create these records, and that the initial burden of putting procedures in place to ensure compliance with the recordkeeping requirement under paragraph (d)(2)(ii) would be three hours of internal cost per respondent, and an ongoing burden approximately 808 hours per broker dealer per year (including the first year),<sup>88</sup> across 80 broker-dealers. As stated in the Adopting Release, the Commission estimates an industry-wide initial burden of 240 hours<sup>89</sup> for the industry to reprogram systems and capture the record documenting its reliance the publicly available determination by a qualified IDQS or registered national securities association, and an ongoing industry wide burden of 64,635 hours (including the first year).<sup>90</sup> Over a three year period, the total industry burden is 194,145 hours,<sup>91</sup> **or 64,716 hours when annualized.**<sup>92</sup>

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<sup>88</sup>  $(1/3600 \text{ (one second)}) \times (252 \text{ trading days per year}) \times (11,542 \text{ securities}) = 808 \text{ hours.}$

<sup>89</sup>  $3 \text{ hours} \times 80 \text{ broker-dealers} = 240 \text{ hours.}$

<sup>90</sup>  $(80 \text{ broker-dealers}) \times (1/3600 \text{ (one second)}) \times (252 \text{ trading days per year}) \times (11,542 \text{ securities}) = 64,635 \text{ hours.}$

<sup>91</sup>  $(240 \text{ hours in the first year} + 64,635 \text{ hours in the first year}) + 64,635 \text{ hours in the second year} + 64,635 \text{ hours in the third year} = 194,145 \text{ hours.}$

<sup>92</sup>  $194,145 \text{ hours} / 3 \text{ years} = 64,716 \text{ hours per year. All annualized numbers are rounded up to the nearest whole number based on the Summary of Hourly Burdens Chart above.}$

**13. Costs to Respondents**

The Commission does not believe that respondents would incur any one-time start-up or ongoing operation or maintenance costs to comply with the amendments.

**14. Costs to the Federal Government**

The Rule does not present a significant cost to the government because the government does not review the information collected by the respondents.

**15. Changes in Burden**

The Commission is revising its estimates for the burden resulting from the amendments because of differences between the proposed and final amendments and due to an updated number of respondents. More specifically, as further described in the Summary of Changes in Burden chart below, the changes in the burden estimates for the final amendments are primarily due to: increasing the burden for paragraph (f)(3)(i)(A) of the amended Rule permitting broker-dealers to piggyback on one-way price quotations, increasing the burden for the provision in paragraph (f)(3)(i)(C) of the amended Rule permitting broker-dealers to piggyback quotations of the securities of certain issuers, increasing the burden for the provision in paragraph (f)(3)(i)(B) of the amended Rule eliminating piggyback eligibility for quotations for securities of shell companies that are published or submitted 18 months following the publication or submission of the initial priced quotation for such issuer's security in an IDQS and for securities within 60 calendar days following a trading suspension under Section 12(k) of the Exchange Act, as well as updating the number of broker-dealers affected by the Rule, the estimated number of Prospectus, Reg. A, or reporting issuers, exempt foreign private issuers, and catch-all issuers with more recent estimates.

For the above reasons, the total estimated number of burden hours was revised from 210,334 hours in the last Supporting Statement to 403,416 in this Supporting Statement.

A chart summarizing the changes in burden is immediately below, and a more detailed description of the changes is below the chart. **NOTE: This OMB No. 3235-0202 currently has only one IC in inventory, titled Rule 15c2-11, 17 CRF 240.15c2-11 (Publication or submission of quotations without current information), with 2,724 total burden hours. We have deleted that IC and replaced it with more detailed ones resulting from the rule amendments.**

<b>Summary of Changes in Burden</b>				
<b>Name of Information Collection</b>	<b>Estimated Industry Burden at Adopting Stage</b>	<b>Annual Industry Burden Previously Reviewed at Proposing Stage</b>	<b>Change in Burden</b>	<b>Reason for Change</b>
Recordkeeping Associated with the initial publication or submission of a Quotation in a Quotation Medium	24,421	30,411	-5,990	This estimate is based on the number of Forms 211 submitted to FINRA annually. The previously reviewed estimate used the number of Forms 211 submitted in 2018 (538), whereas the current estimate uses the number of Forms 211 submitted in 2019 (384)
Recordkeeping when relying on an exception under paragraph (f), that paragraph (b) information is current and publicly available	44,308	52,902	-8,594	This estimate is based on the number of issuers for which the review is required. The previously reviewed estimate was that broker-dealers would spend 581 hours on this task annually in 2018, whereas it was estimated that broker-dealers would spend 540 hours on this task in 2019, due to a decrease in the number of SEC/Reg. A/Bank Reporting Obligation issuers, as well as reducing the estimated responses for catch-all issuers from biannually to annually

Recordkeeping obligations under unsolicited quotation exception under paragraph (f)(2)	96,452	50,810	45,642	This estimate is based on the number of unsolicited quotations published annually. The previously reviewed estimate used the number of unsolicited quotations submitted in 2018 (3,043,214), whereas the current estimate uses the number of unsolicited quotations published in 2019 (5,782,286)
Recordkeeping obligations regarding the frequency of a priced bid or offer quotation, pursuant to paragraph (f)(3)(i)(A)	66,333	0	66,333	New requirement
Recordkeeping obligations concerning determining shell status under the proviso in paragraph (f)(3)(i)(B)	44,362	61,771	-17,409	This estimate is based on the number of issuers of quoted OTC securities annually. The previously reviewed estimate used the number of quoted OTC securities in 2018 (10,167), whereas the current estimate uses the number of issuers of quoted OTC securities in 2019 (9,895)
Recordkeeping obligations concerning trading suspensions under paragraph (f)(3)(i)(B)	374	0	374	New requirement
Recordkeeping obligations for the exceptions under paragraph (f)(5) – Asset Test	246	147	99	This estimate is based on the number of securities that meet the Asset Test. The previously reviewed estimate was that 37 securities would meet the Asset Test in 2018, whereas it was

				estimated that 180 securities would meet the Asset Test in 2019
Recordkeeping obligations for the exceptions under paragraph (f)(5) – ADTV Test	62,074	14,142	47,932	This estimate is based on the number of securities that meet the ADTV Test. The previously reviewed estimate was that 37 securities would meet the ADTV Test in 2018, whereas it was estimated that 180 securities would meet the ADTV Test in 2019
Recordkeeping obligations of broker-dealers relying on a qualified IDQS complying with information review requirement pursuant to paragraph (a)(1)(ii)	98	119	-21	This estimate is based on the number of issuers that a qualified IDQS reviews. The previously reviewed estimate was for 20 issuers in 2018, and 13 issuers in 2019.
Recordkeeping obligations related to the creation of reasonable written policies and procedures under paragraph (a)(3)	32	32	0	No change
Recordkeeping obligations of broker-dealers relying on publicly available determinations by qualified IDQSs or registered national securities associations under paragraph (d)(2)(ii)	64,716	0	64,716	New Requirement
<b>TOTAL</b>	<b>403,416</b>	<b>210,334</b>	<b>193,082</b>	

**16. Information Collection Planned for Statistical Purposes**

Not applicable. There is no intention to publish the information for any purpose.

**17. Approval to Omit OMB Expiration Date**

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

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.