

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 605 of Regulation NMS**

**OMB Control No. 3235-0542**  
**Revision**

A. Justification

1. Necessity of Information Collection

This information collection is required under Rule 605 and section 17(a) of the Securities Exchange Act of 1934 (“Exchange Act”).<sup>1</sup> The order execution information required by Rule 605 of Regulation NMS (“Rule 605” or “Rule”)<sup>2</sup>, f/k/a Rule 11Ac1-5, is necessary to further the national market system objectives set forth in section 11A(a)(1)(C). These objectives include the economically efficient execution of securities transactions; fair competition among brokers and dealers, among exchange markets, and between exchange markets and markets other than exchange markets; the availability information on securities quotations and transactions; and the practicability of brokers executing investors’ orders in the best market.

**2024 Rule Amendments**

On March 6, 2024, the Commission adopted amendments to Rule 605 to update the disclosure required for order executions in national market system (“NMS”) stocks.<sup>3</sup> The Commission is amending the existing “collection of information” requirement within the meaning of the Paperwork Reduction Act of 1995 (“PRA”) and apply such collection of information to new categories of respondents. The adopted amendments modify existing collections and create new collections of information.

The amendments, as adopted, expand the scope of entities subject to Rule 605, modify the categorization and content of order information required to be reported under the rule, and require reporting entities to produce a summary report of execution quality. The amendments expand the scope of entities that must produce monthly execution quality reports to include broker-dealers with a larger number of customer accounts and single dealer platforms. In addition, the amendments expand the definition of “covered order” to include certain orders submitted outside of regular trading hours, certain orders submitted with stop prices, and certain short sale orders.

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<sup>1</sup> OMB No. 3235-0542.

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

<sup>3</sup> See Securities Exchange Act Release No. 99679 (March 6, 2024), 89 FR 26428 (April 15, 2024).

The amendments also change how orders are categorized by order size as well as how they are categorized by order type. As part of the changes to the order size categories, the amendments modify Rule 605 to capture execution quality information for fractional share orders, odd-lot orders, and larger-sized orders. The amendments modify the time-to-execution categories and require average time to execution to be measured in increments of a millisecond or finer and to be calculated for all orders. In addition, the amendments modify the information required to be reported under the rule, including adding realized spread time horizons and requiring new statistical measures of execution quality, such as average effective divided by quoted spread (a percentage-based metric that represents how much price improvement orders received) and size improvement statistics. Finally, the amendments require all entities subject to Rule 605 to make a summary report publicly available.

## 2. Purpose and Use of the Information Collection

The purpose of the information collection is to make information about order execution practices available to the public and allow investors, broker-dealers, and market centers (which include exchange markets, over-the-counter (“OTC”) market makers, and alternative trading systems (“ATs”))<sup>4</sup> to undertake a comparative analysis of these practices across markets. Broker-dealers may use the information to make more informed choices in deciding where to route orders for execution and to evaluate their internal order handling practices. Investors may use the information to evaluate the order handling practices of their broker-dealers. Market centers may use the information to compete on the basis of execution quality. Although the Commission believes that the rule has provided visibility into execution quality at different market centers, the content of the disclosures required by the rule has not been substantively updated since the rule was adopted in 2000. Since that time, equity market conditions and technological advancements have eroded the utility of the rule. The Commission believes that the amendments to the rule will promote increased transparency of order execution quality, increase the information available to investors, and help to promote competition among market centers and broker-dealers, while ameliorating the potentially adverse effects of fragmentation on efficiency, price transparency, best execution of investor orders, and order interaction.

### 2024 Rule Amendments

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<sup>4</sup> See 17 CFR 242.600(b)(38).

### 3. Consideration Given to Information Technology

Rule 605 requires broker-dealers and market centers to make available to the public monthly order execution reports in electronic form. The Commission believes that broker-dealers and market centers retain most, if not all, of the underlying raw data necessary to generate these reports in electronic format or, if they do not, may obtain this information from publicly available data sources. Consequently, the Rule does not require additional data collection or recordkeeping burdens. Respondents could either program their systems to generate the statistics and reports, or transfer the data to a service provider (such as an independent company in the business of preparing such reports or a self-regulatory organization) that will generate the statistics and reports.

Reporting entities 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.

#### **2024 Rule Amendments**

Rule 605 requires that summary reports be made available using the most recent version of the schema for CSV format and associated PDF renderer as published on the Commission's website. The requirement to use the most recent version of the schema for CSV is intended to ensure that the data is provided in a format that is structured and machine-readable, and this will allow users to more easily process and analyze the data, as well as provide consistency for format across reports. Further, the requirement that the same data should be provided through the use of a PDF renderer is intended to ensure that the reports are also available in human-readable format and consistently presented across reports.

### 4. Duplication

The collections of information are unique and cover the particular circumstances of each reporting entity. No duplication exists.

### 5. Effect on Small Entities

#### **2024 Rule Amendments**

The adopted amendments expand the scope of market centers impacted by the rule – which includes any exchange market maker, OTC market maker, ATS, national securities exchange registered with the Commission under section 6 of the Exchange Act, or national securities association registered with the Commission under section 15A of the Exchange Act – and will include certain brokers or dealers that are not a market center. The Commission estimates that the number of entities impacted by Rule 605 will increase from 319 to 343.

None of the exchanges registered under section 6 that will be subject to the amendments are “small entities” and there is only one national securities association, which is not a small entity. The Commission examined recent FOCUS data for the approximately 3,500 active brokers and dealers overseen by the Commission.

Of the 343 entities that the Commission estimates will be impacted by the Rule, the Commission estimates that only one exchange market maker will qualify as a small entity. The Commission estimates that no national securities exchanges registered under section 6, no national securities associations, no OTC market makers, and no ATSSs will qualify as small entities. As a result, the Commission believes that the adopted amendments to Rule 605 will not have a significant economic impact on a substantial number of small entities.

#### 6. Consequences of Not Conducting Collection

This collection of information is intended to allow investors, broker-dealers, and market centers to compare order execution practices across markets and help investors and broker-dealers evaluate the quality of execution they received for their order at different market centers and larger broker-dealers. Because market conditions change frequently, a less frequent collection will not provide data that will be as timely or pertinent to the public. A monthly disclosure gives a sufficient sample of statistics to be meaningful to investors, broker-dealers, and market centers in their analyses.

#### **2024 Rule Amendments**

While the required disclosures have provided significant insight into execution quality at different market centers; both the scope and the content of Rule 605 reports have not kept pace with technological and market developments. By providing more relevant and accessible metrics, and by continuing to provide those metrics on a monthly basis, Rule 605, as amended, will better promote competition among market centers and broker-dealers on the basis of execution quality and ultimately improve the efficiency of securities transactions.

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

The Commission notes that market centers that are national securities exchanges or national securities associations are required to retain the collections of information that will be required under Rule 605 for a period of not less than five years, the first two years in an easily accessible place. All other reporting entities are required to retain the collections of information that will be required under Rule 605 for a period of not less than three years, the first two in an easily accessible place.

#### **2024 Rule Amendments**

The amendments to Rule 605 will not alter the retention requirements for the collections of information.

8. Consultations Outside the Agency

**2024 Rule Amendments**

The Commission issued a release soliciting public comment on the collections of information requirements and associated paperwork burdens.<sup>5</sup> Comments on releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. Any comments received on this rulemaking will be posted on the Commission's public website, and made available using the following link: <https://www.sec.gov/comments/s7-29-22/s72922.htm>. The Commission has considered all comments received prior to publishing the final rule, and had addressed all such comments in the adopting release,<sup>6</sup> in accordance with 5 CFR 1320.11(f).

One commenter stated that the proposal did not include burdens related to business-line personnel or technical staff.<sup>7</sup> Another commenter stated that the Commission's estimates were too low because the Commission neglected to take into account dedicated staff time needed for data reconciliation and validation and other ongoing compliance costs.<sup>8</sup> The commenters provided no data and provided no alternative estimates of the cost of preparing the monthly reports. However, in response to the commenters, the Commission adjusted its estimated annual burdens to account for work to be performed by technical staff. In addition, the Commission adjusted the hourly rates used to monetize burden hours in order to account for recent inflation rates.

9. Payment or Gift

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

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<sup>5</sup> See Securities Exchange Act Release No. 96493 (December 14, 2022), 88 FR 3786 (January 20, 2023) (File No. S7-29-22) available at <https://www.sec.gov/comments/s7-29-22/s72922.htm>.

<sup>6</sup> See Securities Exchange Act Release No. 99679 (March 6, 2024), 89 FR 26428, at 26499 (April 15, 2024).

<sup>7</sup> See letter from Kelvin To, Founder and President, Data Boiler Technologies, LLC (Mar. 31, 2023) at 21.

<sup>8</sup> See letter from Steve Quirk, Chief Brokerage Officer, Robinhood Markets (Mar. 31, 2023) at 42.

The information collections do not collect personally identifiable information. The agency has determined that neither a PIA nor a SORN are required in connection with the collection of information.

## 12. Burden of Information Collection

The collection of information obligations of Rule 605 apply to larger broker-dealers and all market centers that receive covered orders in national market system securities. The Commission estimates that, as a result of the amendments, approximately 343 reporting entities (91 OTC market makers, 87 exchange market makers, 85 broker-dealers that introduce or carry 100,000 or more customer accounts, 16 national securities exchanges, 1 national securities association, 33 ATSSs, and 30 new market center respondents) will be subject to the collection of information obligations of Rule 605. Each of these respondents will be required to respond to the collection of information on a monthly basis.

The Commission estimates that the initial and ongoing burdens will be different for those respondents that are currently required to prepare reports and for new respondents under the amendments. The burdens for respondents currently reporting under Rule 605 are likely to be lower than those of new reporting entities because currently-reporting entities already have systems in place to collect the data necessary to generate reports under the current Rule. These estimates include the impact of preparing and making summary reports available using the most recent versions of the CSV schema and the associated PDF renderer as published on the Commission's website.

### ***Rule 605 of Regulation NMS (Initial Burden for Existing Respondents)***

The Commission estimates that the Rule 605 amendments will result in an initial burden for current respondents of 50 hours per respondent<sup>9</sup> for systems updates to ensure that data responsive to the amended requirements is correctly collected and formatted. The initial burden estimate represents the work that will need to be done by existing respondents to modify their systems to collect data required under the amendments to Rule 605 and generate the monthly reports. The estimate includes time required to program and test automated systems to collect the necessary data, as well as review and approval by compliance personnel. The Commission does not believe the information required to be aggregated and included in Rule 605 reports will require existing respondents to acquire new hardware or systems to process the information required in the reports.

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<sup>9</sup> The Commission estimates the initial burden as follows: [(Sr. Programmer at 25 hours) + (Sr. Systems Analyst at 10 hours) + (Compliance Manager at 10 hours) + (Director of Compliance at 5 hours)] = 50 hours per respondent. When allocated annually over a three-year period, this amounts to an initial burden of approximately 16.67 hours per existing respondent, per year.

With an estimated 228 existing respondents subject to Rule 605, the total initial burden to comply with the Rule 605, for existing respondents, is estimated to be 11,400 hours (50 x 228), or **3,800 hours per year for all existing respondents spread over three years** (16.67 hours per respondent per year).<sup>10</sup>

***Rule 605 of Regulation NMS (Initial Burden for New Respondents)***

The Commission estimates that Rule 605 amendments will result in an initial burden for new respondents of 100 hours for each respondent<sup>11</sup> for systems updates to ensure that data responsive to the requirements is correctly gathered and formatted. This burden is higher than the estimated burden for current respondents because new respondents do not currently have in place the systems to collect the information required for current Rule 605 reports. These respondents will likely require additional time to collect the relevant information. In addition, this estimate includes additional time for programming and testing automated systems to collect the necessary data and additional hours for review and approval by compliance personnel. Once the relevant data is collected, respondents could either program their systems to generate the reports, or transfer the data to a service provider that will generate the reports. Respondents will likely not be required to acquire new hardware or other technological resources to be able to collect the data required by the rule given that respondents will already have computing systems in place to, for example, transmit and process order information, and such systems could be leveraged to collect the required data.

With an estimated 115 new respondents subject to Rule 605, the total initial burden to comply with the Rule 605 amendments is estimated to be 11,500 hours (100 x 115), or **3,833.33 hours per year for all new respondents spread over three years** (33.33 hours per respondent per year).<sup>12</sup>

***Rule 605 of Regulation NMS (Ongoing Burden for All Respondents)***<sup>13</sup>

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<sup>10</sup> The Commission estimates this total as follows: [(50 hours (initial burden) / 3 years)] = 16.67 aggregate annual burden per existing respondent, or 11,400 hours total for all existing respondents.

<sup>11</sup> The Commission estimates the initial burden as follows: [(Sr. Programmer at 50 hours) + (Sr. Systems Analyst at 20 hours) + (Compliance Manager at 20 hours) + (Director of Compliance at 10 hours)] = 100 hours per new respondent. When allocated annually over a three-year period, this amounts to an initial burden of approximately 33.34 hours per new respondent, per year.

<sup>12</sup> The Commission estimates this total as follows: [(100 hours (initial burden) / 3 years)] = 33.34 aggregate annual burden per new respondent, or 11,500 hours total for all new respondents.

<sup>13</sup> The Commission notes that this burden was previously labeled “Rule 605 – Disclosure of order execution information” in previous filings with OMB.

The Commission further estimates that the Rule 605 amendments will result in an ongoing monthly burden of 11 hours per respondent to collect the necessary data and to prepare the required Rule 605 reports, for a total annual burden of 132 hours per respondent.<sup>14</sup> This estimate represents the time that will be required to verify automated processes are functioning as intended and post and prepare the required reports, or transfer data to a service provider to generate the reports.<sup>15</sup>

With an estimated 343 respondents subject to Rule 605, the aggregated monthly reporting requirement is estimated to be **45,276 hours per year** (343 x 11 burden hours per month x 12 months).<sup>16</sup>

### ***Rule 605 of Regulation NMS (NMS Plan Participants)***

The Commission estimates that the 16 national securities exchanges and 1 national securities association will be required to amend the NMS Plan to account for the new data fields required to be reported and to include references to larger broker-dealers in addition to market centers. The Commission estimates that there will be a one-time (or initial) burden of 5 hours per respondent<sup>17</sup> to amend the NMS Plan to account for the new reporting fields and reporting parties, for a total burden of 85 hours (17 x 5). The Commission does not estimate that there will be any ongoing annual burden associated with the NMS Plan amendment to account for the new reporting fields and reporting parties. The Commission has based its estimate of SRO burden hours to amend the NMS Plan on the burden hours for existing NMS plans, while also taking into account the limited nature of the updates to the NMS Plan that will be required under the amendments to Rule 605.

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<sup>14</sup> The Commission estimates the ongoing burden as follows: [(Compliance Attorney at 6 hours) + (Compliance Manager at 2 hours) + (Programmer at 2 hours) + (Systems Analyst at 1 hour x 12 reports per year)] = 132 hours per year, per respondent.

<sup>15</sup> The Commission's currently approved PRA for Rule 605 (OMB Control Number 3235-0542), last updated in April 2022, estimates that current respondents each will spend 6 hours per month to collect the data necessary to generate the reports, or 72 hours per year. Although the amendments to Rule 605 will require additional data fields and the generation of summary reports, the Commission believes the data collection and report generation process should be an automated process that will not require substantial additional burden hours after initial set-up.

<sup>16</sup> The Commission estimates this total as follows: [(343 respondents) x (11 hours (monthly ongoing burden)) x 12 months per year] = 45,276 aggregate annual burden per respondent, or 11 hours per month for each respondent.

<sup>17</sup> The Commission estimates this total as follows: [(Attorney at 4 hours) + (Assistant General Counsel at 1 hour)] = 5 hours per NMS Plan Participant.



Allocating the one-time (initial) burden over a three year period result in **an annualized burden of 28.33 for NMS Plan Participants**, or 1.6667 hours per year, per NMS Plan Participant.<sup>18</sup>

## Burden Summary

The estimated burdens for all respondents as a result of the amendments to Rule 605 are shown in the table below:

Information Collection	Type of Burden	Total Number of Respondents	Burden Hours	Total Number of Responses Per Year Per Respondent	Total Annual Burden Hours Per Respondent	Total Annual Burden Hours for all Respondents
Rule 605 of Regulation NMS (Initial Burden for Existing Respondents)	One-time	228	50	1	16.67	3,800
Rule 605 of Regulation NMS (Initial Burden for New Respondents)	One-time	115	100	1	33.34	3,833.33
Rule 605 of Regulation NMS (Ongoing Burden for All Respondents)	Ongoing, Monthly	343	11	12	132	45,276
Rule 605 of Regulation NMS (Initial Burden for NMS Plan Participants)	One-Time	17	5	1	1.67	28.33
Total Annual Burden						52,937.66

### 13. Costs to Respondents

The Commission estimates that, as a result of the amendments, an individual market center or broker-dealer could retain a service provider to prepare a monthly report for between approximately \$3,000 and \$3,500 per month or approximately \$36,000 to \$42,000 per year. This per-respondent estimate is based on the rate that a market center or broker-dealer could expect to obtain if it negotiated on an individual basis. Based on the \$3,500 high-end estimate, the monthly cost to the 343 reporting entities to retain service providers to prepare reports will be approximately \$1,200,500 (343 x \$3,500), or a **total annual cost of approximately \$14,406,000** (\$1,200,500 x 12).

The Commission also estimates that there will be outsourcing of legal time to develop and draft NMS Plan amendments, resulting from the amendments, in order to account for additional

<sup>18</sup> 5 hours annualized over a three year period results in an annual burden of 1.6667 hours.

data fields and reporting parties. The NMS Plan amendment will be an update to the list of formats and fields to track the data elements set forth in the Rule and add references to broker-dealers subject to the Rule, and therefore the Commission estimates the hours necessary to develop and draft the plan amendment will be significantly lower than other recent NMS plan amendments. The Commission estimates that, on average, each exchange and association will outsource 2 hours of legal time to prepare and file an amendment to the NMS Plan, at an average hourly rate of \$575.<sup>19</sup> The Commission estimates that the aggregate one-time reporting burden for preparing and filing an amendment to the NMS Plan will be approximately \$1,150 in external costs per national securities exchange or national securities association, for an aggregate external cost of \$19,550 resulting from outsourced legal work [(2 hours @ \$575 per hour = \$1,150) x (16 national securities exchanges and 1 national securities association)]. Annualized over a three-year period results in an **annual cost for all NMS Participants of \$6,516.67**, or \$383.33 per NMS Plan participant.

Information Collection	Type of Cost	Total Number of Respondents	Cost per Response	Total Number of Responses Per Year Per Respondent	Total Annual Cost Burden Per Respondent	Total Annual Cost Burden for all Respondents
Rule 605 of Regulation NMS (Ongoing Burden for Existing Respondents)	Ongoing (Monthly)	343	3,500	12	42,000	14,406,000
Rule 605 of Regulation NMS (Initial Burden for NMS Participants)	Initial, One-time	17	1,150	1	383.33	6,516.67
Total Annual Burden						14,412,516.67

#### 14. Costs to Federal Government

The Commission does not believe there are any costs to the Federal Government relating to the amendments to Rule 605.

#### 15. Changes in Burden

The total annual hour burden increased from approximately 42,526 hours to approximately 52,938. The total annual cost burden decreased from \$15,084,517 to approximately \$14,412,517. These changes were the result of a decrease in total respondents from 359 to 343 as well as changes in individual respondent burdens due to the amendments to Rule 605.

<sup>19</sup> The Commission's estimates of the relevant wage rates for outside legal services takes into account staff experience, a variety of sources including general information websites, and adjustments for inflation.

<b>Information Collection</b>	<b>Proposed Estimated Total Annual Burden</b>	<b>Estimated Total Annual Burden</b>	<b>Change in Estimated Total Annual Burden</b>	<b>Reason for the Change</b>
<b>Rule 605 of Regulation NMS (Initial Burden for Existing Respondents)</b>	<b>3,933.33</b> aggregate burden hours per year	<b>3,800</b> aggregate burden hours per year	Decrease in aggregate burden hours of <b>133.33</b>	Decrease in number of estimated existing respondents resulting from more current data
<b>Rule 605 of Regulation NMS (Initial Burden for New Respondents)</b>	<b>4,100</b> aggregate burden hour per year	<b>3,833.33</b> aggregate burden hours per year	Decrease in aggregate burden hour of <b>266.67</b>	Decrease in number of estimated new respondents resulting from more current data
<b>Rule 605 of Regulation NMS (Ongoing Burden for All Respondents)</b>	<b>34,464</b> aggregate burden hours per year	<b>45,276</b> aggregate burden hours per year	Increase in aggregate burden hours of <b>10,812</b> per year	Decrease in number of total respondents (from 359 to 343) as well as an increase in annual burdens and costs as a result of the amendments (from 96 to 132 hours, adjustments to hourly burdens to reflect inflation)
	<b>\$15,078,000</b> aggregate annual cost burden	<b>\$14,406,000</b> aggregate annual cost burden	Decrease in dollar cost of <b>\$672,000</b>	
<b>Rule 605 of Regulation NMS (Initial Burden for NMS Plan Participant)</b>	<b>28.3339</b> aggregate burden hours per year	<b>28.3339</b> aggregate burden hours per year	No change	
	<b>\$6,516.67</b> aggregate annual cost burden	<b>\$6,516.67</b> aggregate annual cost burden	No change	

16. Information Collection Planned for Statistical Purposes

These are disclosures from market centers and larger broker-dealers to the general public. 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

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable.

B. Collection of Information Employing Statistical Methods.

Not applicable.