

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Amendments to Regulation NMS: Minimum Pricing Increments, Access Fees, and
Transparency of Better Priced Orders

3235-0802
Adopted Amendments

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq (“PRA”).

A. JUSTIFICATION

1. Necessity of Information Collection

Section 11A of the Securities Exchange Act of 1934 (“Exchange Act”)¹ directs the Securities and Exchange Commission (“Commission”) to facilitate the establishment of a national market system in accordance with specified Congressional findings. In furtherance of this direction, the Commission adopted Regulation National Market System (“Regulation NMS”) in 2005,² which was designed to achieve the objectives of Section 11A of efficient, competitive, fair, and orderly markets.³

As the national market system has evolved, the Commission has amended several aspects of Regulation NMS to address and reflect changes in the markets. Most recently, in 2020, the Commission adopted rules to update and modernize the equity market infrastructure responsible for the collection, consolidation, and dissemination of equity market data in the national market system by expanding the content of, and establishing a decentralized consolidation model for, NMS market data (“MDI Rules”).⁴

On September 18, 2024, the Commission adopted amendments⁵ that:

- establish a second minimum pricing increment, also known as tick size, of \$0.005 under Rule 612 of Regulation NMS for the quoting of certain NMS stocks, which are stocks listed on a national securities exchange, regardless of trading venue;

¹ 15 U.S.C. 78k-1.

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

³ 15 U.S.C. 78k-1(a).

⁴ Securities Exchange Act Release No. 90610 (Dec. 9, 2020), 86 FR 18596 (Apr. 9, 2021) (“MDI Adopting Release”).

⁵ See Securities Exchange Act Release No. 101070, (Sept. 18, 2024), 89 FR 81620 (October 8, 2024) (“Adopting Release”). See also Securities Exchange Act Release No. 96494 (Dec. 14, 2022), 87 FR 80266 (Dec. 29, 2022) (“Proposing Release”).

- reduce the access fee caps under Rule 610 of Regulation NMS and require national securities exchanges to make the amounts of all fees and rebates determinable at the time of execution; and
- accelerate the implementation of the round lot and odd-lot information definitions adopted in 2020 under the MDI Rules and add information about the best odd-lot order to the definition of odd-lot information.⁶

The amendments related to the MDI Rules amend Rule 603(b) of Regulation NMS to require the existing exclusive securities information processors (“exclusive SIPs”) to collect, consolidate, and disseminate odd-lot information, including the best odd-lot orders to buy and sell. The exclusive SIPs are required to disseminate indicators of the applicable round lot size and minimum pricing increment for each NMS stock, both of which would be provided to the exclusive SIPs by the primary listing exchange.

The Commission believes that the transition plan for implementing the MDI Rules should be modified so that the benefits of the round lot and the odd-lot information definitions are made available to investors and other market participants sooner. Earlier implementation accelerates the transparency benefits of these definitions by making information about better priced interest available in the market more widely available on a faster timetable. In addition, the identification and dissemination of the price, size, and market of the best odd-lot orders enhances the ability of market participants to make effective trading and order routing decisions using NMS data, facilitate better execution, and provide a useful metric against which investors could assess the execution quality of their orders.

Certain provisions of the amendments related to the MDI Rules impose “collection of information” requirements within the meaning of the Paperwork Reduction of 1995 (“PRA”).

2. Purpose and Use of the Information Collection

The information collected under the amendments related to the MDI Rules is required to be consolidated and disseminated by the exclusive SIPs to market participants who would use this information for trading NMS stocks. Widespread availability of odd-lot information promotes fair and efficient markets and facilitates the ability of brokers and dealers to trade more effectively and to provide best execution to their customers. The round lot and minimum pricing increment indicators to be disseminated by the exclusive SIPs provide market participants with information about the parameters for trading in a particular NMS stock.

3. Consideration Given to Information Technology

The amendments related to the MDI Rules permit the exclusive SIPs to use information technology to comply with the requirements. The Commission anticipates the use of information technology by the exclusive SIPs to collect, consolidate, and disseminate odd-lot information and to disseminate the round lot and minimum pricing increment indicators, including the addition of

⁶ An odd-lot order is an order for the purchase or sale of an NMS stock in an amount less than a round lot.

new hardware, network infrastructure, and bandwidth to facilitate the collection, consolidation, and dissemination of this information. The Commission believes that improvements in data processing technology may also reduce the burdens that result from the amendments.

4. Duplication

The amendments will not result in, or require the collection of, duplicate information that is otherwise available in a similar form. While many national securities exchanges publish their own market data via proprietary data feeds for a fee, the proprietary data feeds do not provide the exact information in a consolidated manner as required by the amendments.

5. Effect on Small Entities

The Commission believes that the requirement that the exclusive SIPs collect, consolidate, and disseminate odd-lot information and disseminate indicators of the applicable round lot size and minimum pricing increment for each NMS stock would not affect small entities. Neither of the two exclusive SIPs meet the criteria for a “small business” or “small organization” when used with reference to a securities information processor.⁷

6. Consequences of Not Conducting Collection

As discussed above, the acceleration of the round lot and odd-lot information definitions is designed to make information about the best priced orders available in the market more widely available on a faster timetable. Without the collection of information, the exclusive SIPs would not be required to disseminate this information, and investors and other market participants will not be able to use it to trade NMS stocks in a more informed and effective manner, obtain better executions, or assess the execution quality of their orders.

7. Inconsistencies with Guideline 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

The Commission previously issued a release soliciting public comment on the new collection of information requirements and associated paperwork burdens.⁸ The Commission considered comments received from industry groups, investors, and other market participants and responded to such comments in the Adopting Release, in accordance with 5 CFR 1320.11(f). In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges.

⁷ See Adopting Release, *supra* note 5, at 81772. See also 17 CFR 240.0-10(g); Securities Exchange Act Release No. 61595 (Feb. 26, 2010), 75 FR 11232, 11320 (Mar. 10, 2010) (determining that the exclusive SIPs are not small entities for purposes of the Regulatory Flexibility Act).

⁸ See Proposing Release, *supra* note 5.

9. Payment or Gift

No payment or gift is provided to respondents.

10. Confidentiality

The exclusive SIPs will make odd-lot information and indicators of the applicable round lot and minimum pricing increment indicators publicly available to subscribers through their data feeds, and therefore this information will not be confidential. Accordingly, no assurances of confidentiality are necessary.

11. Sensitive Questions

No information of a sensitive nature will be required under the collection of information.

12. Burden of Information Collection

As noted above, the amendments establish new collections of information. The Commission anticipates that the respondents will incur the following third-party disclosure burdens.

Summary of Approximate Hourly Burdens

Name of Information Collection	Type of Burden	A Number of Entities Impacted	B Annual Responses per Entity	C Initial Burden per Entity per Response	D Initial Burden Annualized per Entity per Response C/3	E Ongoing Burden per Entity per Response	F Annual Burden per Entity per Response D+E	G Total Annual Burden per Entity F*B	H Total Industry Burden G*A	Small Business Entities Affected
Odd-Lot Information Acceleration	Third Party	2	1	440	146.67	132	278.67	278.67	557.34	0

The respondents to this collection of information will be the two exclusive SIPs. The two exclusive SIPs will have to modify their systems to collect, consolidate, and disseminate odd-lot information and to disseminate the round lot and minimum pricing increment indicators. These modifications involve the addition of new hardware, network infrastructure, and bandwidth, as well as programming and development costs.

The Commission estimates that each exclusive SIP would incur an initial, one-time burden of 440 hours to modify its systems to collect, calculate, consolidate and disseminate odd-lot information and to disseminate the round-lot and minimum pricing increment indicators.⁹

⁹ The Commission based these estimates on 10% of the initial burden hour estimates for each exclusive SIP to become a competing consolidator provided in the MDI Rules to account for the fact that the amendments do not require the exclusive SIPs to calculate and disseminate full consolidated market data (e.g., depth of book data or auction information) as defined in the MDI Rules. See MDI Adopting Release, supra note 4, at 18712-13.

The Commission estimates that each exclusive SIP would incur 132 ongoing, annual burden hours to operate and maintain these systems.¹⁰ **This would result in an estimated annual burden of 278.67 hours per respondent and 557.34 hours annually in the aggregate.**¹¹

13. Costs to Respondents

The Commission believes that respondents will incur costs in connection with the new information collection. The Commission anticipates that the respondents will incur the following initial and annual cost burdens.

Summary of Dollar Costs										
Name of Information Collection	Type of Burden	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 C/3	E Ongoing Cost per Entity per Response	F Annual Cost per Entity per Response D+E	G Total Annual Cost per Entity F*B	H Total Industry Cost G*A	Small Business Entities Affected
Odd-Lot Information Acceleration	Third Party	2	1	\$412,500	\$137,500	\$123,725	\$261,225	\$261,225	\$522,450	0

The Commission estimates an initial cost of \$412,500 to purchase the necessary technology to effect the modifications necessary to collect, consolidate, and disseminate odd-lot information and to disseminate the round lot and minimum pricing increment indicators and ongoing, annual external costs of \$123,725 to operate and maintain these systems. **This would result in an estimated annual cost of \$261,225 per respondent¹² and an estimated annual cost for the industry of \$522,450.**

14. Cost to Federal Government

The Federal government would not incur costs in connection with the collection of this information.

15. Changes in Burden

There is a reduction in both the cost and the hour burden that is the result of annualizing the initial hour and cost burdens.

16. Information Collection Planned to Statistical Purposes

Not applicable. The information collection is not planned for statistical purposes.

¹⁰ The Commission based these estimates on 10% of the ongoing, annual burden hour estimates provided in the MDI Rules for each exclusive SIP competing consolidator to operate and maintain its systems to comply with Rules 614(d)(1) through (4) to account for the fact that the amendments do not require the exclusive SIPs to calculate and disseminate full consolidated market data (e.g., depth of book data or auction information) as defined in the MDI Rules. See MDI Adopting Release, *supra* note 4, at 18712-13.

¹¹ 146.67 (initial one-time burden, annualized over the three-year period) + 132 (ongoing burden) = 278.67 hours.

¹² \$137,500 (initial, one-time cost, annualized over the three-year period) + \$123,725 (ongoing cost) = \$261,225.

17. OMB Expiration Date Display Approval

The Commission is not seeking approval to not display the OMB approval expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submission

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.