

**SUPPORTING STATEMENT**  
**Paperwork Reduction Act Information Collection Submission for Rule 604**

**OMB Control Number 3235-0462**  
**2025 Extension**

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**

Section 11A of the Securities Exchange Act of 1934 (“Exchange Act”) charges the Securities and Exchange Commission (“Commission”) with the responsibility to assure that the national market system develop and operate in accordance with specific goals and objectives.<sup>1</sup> Among the national market system’s goals and objectives are the public availability of quotation information, fair competition, market efficiency, best execution and disintermediation.

The Commission adopted Rule 11Ac1-4 (later renamed as “Rule 604” under Regulation NMS and also known as “Limit Order Display Rule”) in furtherance of these goals by requiring specialists and market makers to publish customer limit orders that are priced superior to the bids or offers being displayed by each such specialist or market maker.<sup>2</sup> Customer limit orders that match the bid or offer being displayed by a specialist or market maker must be published if the limit price also matches the national best bid or offer (“NBBO”) and the size of the customer limit order is more than *de minimis* (i.e., more than 10% of the specialist’s or market maker’s displayed size). This rule was later re-numbered as Rule 604 with the adoption of Regulation NMS, but the information collection requirements of the rule remained the same:<sup>3</sup>

- a. Display of Customer Limit Orders. For all NMS stocks, each member of a national securities exchange that is registered by that exchange as a specialist, or is authorized by that exchange to perform functions substantially similar to that of a specialist, shall publish immediately a bid or offer that reflects<sup>4</sup> the price and the full size of each customer limit order held by the specialist that is at a price that would improve the bid or offer of such specialist in such security<sup>5</sup>; and the full

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<sup>1</sup> See 15 U.S.C. 78k-1.

<sup>2</sup> See Securities Exchange Act Release No. 37619A (Sep. 6, 1996), 61 FR 48290 (Sep. 12, 1996).

<sup>3</sup> See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496, 37570 (June 29, 2005). The record preservation requirements for this collection of information are in 17 CFR 240.17a-4(b) (OMB Control No. 3235-0279).

<sup>4</sup> See 17 CFR 242.604(a)(1).

<sup>5</sup> See 17 CFR 242.604(a)(1)(i).

size of each customer limit order held by the specialist that<sup>6</sup> is priced equal to the bid or offer of such specialist for such security<sup>7</sup>; is priced equal to the national best bid or national best offer<sup>8</sup>; and represents more than a *de minimis* change in relation to the size associated with the specialist's bid or offer.<sup>9</sup> Similarly, for all NMS stocks, each registered broker or dealer that acts as an over the counter (“OTC”) market maker shall publish immediately a bid or offer that reflects<sup>10</sup> the price and the full size of each customer limit order held by the OTC market maker that is at a price that would improve the bid or offer of such OTC market maker in such security<sup>11</sup>; and the full size of each customer limit order held by the OTC market maker that<sup>12</sup> is priced equal to the bid or offer of such OTC market maker for such security<sup>13</sup>; is priced equal to the national best bid or national best offer<sup>14</sup>; and represents more than a *de minimis* change in relation to the size associated with the OTC market maker’s bid or offer.<sup>15</sup>

- b. Exceptions. The requirements above do not apply to any customer limit order that is executed upon receipt of the order<sup>16</sup>; is placed by a customer who expressly requests, either at the time that the order is placed or prior thereto pursuant to an individually negotiated agreement with respect to such customer’s orders, that the order not be displayed<sup>17</sup>; that is an odd-lot order<sup>18</sup>; that is a block size order, unless a customer placing such order requests that the order be displayed<sup>19</sup>; that is delivered immediately upon receipt to a national securities exchange or national securities association-sponsored system, or an electronic communications network that complies with the requirements of § 242.602(b)(5)(ii) with respect to that order<sup>20</sup>; that is delivered immediately upon receipt to another exchange

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<sup>6</sup> See 17 CFR 242.604(a)(1)(ii).

<sup>7</sup> See 17 CFR 242.604(a)(1)(ii)(A).

<sup>8</sup> See 17 CFR 242.604(a)(1)(ii)(B).

<sup>9</sup> See 17 CFR 242.604(a)(1)(ii)(C).

<sup>10</sup> See 17 CFR 242.604(a)(2).

<sup>11</sup> See 17 CFR 242.604(a)(2)(i).

<sup>12</sup> See 17 CFR 242.604(a)(2)(ii).

<sup>13</sup> See 17 CFR 242.604(a)(2)(ii)(A).

<sup>14</sup> See 17 CFR 242.604(a)(2)(ii)(B).

<sup>15</sup> See 17 CFR 242.604(a)(2)(ii)(C).

<sup>16</sup> See 17 CFR 242.604(b)(1).

<sup>17</sup> See 17 CFR 242.604(b)(2).

<sup>18</sup> See 17 CFR 242.604(b)(3).

<sup>19</sup> See 17 CFR 242.604(b)(4).

<sup>20</sup> See 17 CFR 242.604(b)(5).

member or OTC market maker that complies with these requirements with respect to that order<sup>21</sup>; and that is an “all or none” order.<sup>22</sup>

- c. Exemptions. The Commission may exempt from the provisions of Rule 604, either unconditionally or on specified terms and conditions, any responsible broker or dealer, electronic communications network, national securities exchange, or national securities association if the Commission determines that such exemption is consistent with the public interest, the protection of investors and the removal of impediments to and perfection of the mechanism of a national market system.<sup>23</sup>

## **2. Information Collection Purpose and Use**

The information collected pursuant to Rule 604 is necessary to further the above-described statutory directive to facilitate the establishment of a national market system for securities.<sup>24</sup> The information collection in the Limit Order Display Rule is a third-party disclosure requirement. The information is useful to investors because the publication of trading interest that improves specialists’ and market makers’ quotes presents investors with improved execution opportunities and improved access to the best available prices when they buy or sell securities.

## **3. Consideration Given to Improved Information Technology**

Improved information technology, such as the increased speed of electronic order handling systems, facilitates the dissemination of quotation information in an accurate and timely fashion. The Commission believes that improved information technology minimizes the burden of collecting and disseminating information because such technology enables specialists and market makers to publish customer limit orders automatically and instantaneously.

## **4. Duplication**

The Commission has sought to effect the dissemination of customer limit orders through existing channels. The rules of the various self-regulatory organizations (“SROs”) generally do not require specialists and market makers to publish customer limit orders. Rule 604 requires that they publish such orders in certain circumstances. Rule 604 does not create duplicative reporting requirements for the specialists or market makers.

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<sup>21</sup> See 17 CFR 242.604(b)(6).

<sup>22</sup> See 17 CFR 242.604(b)(7).

<sup>23</sup> See 17 CFR 242.604(c).

<sup>24</sup> See notes 1 and 2 and associated text supra.

## **5. Effect on Small Entities**

The information collection affects small entities, but it is in proportion with their level of activity in comparison with other entities. The information disclosure is necessary regardless of the size of the entity, and no methods are used to alter the disclosure requirements for small entities.

## **6. Consequences of Not Conducting Collection**

The information collected pursuant to Rule 604 is necessary to further the above-described statutory directive to facilitate the establishment of a national market system for securities.<sup>25</sup> If the required dissemination procedures are not adhered to, or adhered to inconsistently, the goals of the national market system will not be advanced. In the absence of Rule 604, there would be a lack of transparency regarding trading interest that improve specialists' and market makers' quotes, which could adversely impact investors by minimizing favorable execution opportunities and diminishing access to the best available prices when they buy or sell securities.

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

There are no other special circumstances, and this collection is otherwise consistent with the guidelines in 5 CFR 1320.5(d)(2).

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

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published.

## **9. Payment or Gift**

Not applicable. No payment or gift is provided to respondents.

## **10. Confidentiality**

Not applicable. The information is disseminated to the public for the benefit of public investors.

## **11. Sensitive Questions**

Not applicable. No information of a sensitive nature, including Personally Identifiable Information (PII), is required under this collection of information.

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<sup>25</sup> See notes 1 and 2 and associated text supra.

## 12. Burden of Information Collection

Rule 604 requires specialists and OTC market makers to change their published quote to reflect the price and/or size of a customer limit order that would improve their published bid or offer. The likely respondents to the collection and dissemination of customer limit order information are approximately 30 specialists and OTC market makers. They will respond to the collection and dissemination requirements each time they receive a displayable customer limit order. However, the amount of times each respondent must update its quote is dependent on the number of customer limit orders that it receives and its public quote at the time and whether it immediately executes the customer limit order or delivers the order to another market participant pursuant to a permissible exception to the Limit Order Display Rule. The estimate of how often a respondent receives a customer limit order covered by Rule 604 is, on average, 37,460.31 times per trading day with an estimated average time of 0.001 second per quote update. Accordingly, assuming 252 days in a trading year, an average of 2.62<sup>26</sup> hours per year per respondent is spent on updating quotations pursuant to Rule 604. **This would result in an average total annual industry burden of approximately 78.7 hours.**<sup>27</sup>

Name of Information Collection	Number of Respondents	Type of Burden	Number of Annual Responses Per Respondent	Burden Per Response (Seconds)	Annual Burden Per Respondent (Hours)	Average Total Annual Industry Burden (Hours)
Rule 604	30	3 <sup>rd</sup> Party Disclosure	9,440,000	.001 seconds	2.62	78.7

## 13. Costs to Respondents

The Commission does not estimate any costs to respondents.

## 14. Cost to Federal Government

Not applicable.

## 15. Changes in Burden

The estimated total annual industry burden has decreased substantially from 33,694 hours to 78.7 hours. In calculating the estimated total annual industry burden, staff relied on data obtained from the Consolidated Audit Trail (“CAT”). The detail available in the CAT data (especially order types and order handling instructions) allowed staff to use order routing data to identify orders likely to be covered by Rule 604 and the specific set of broker-dealers receiving

<sup>26</sup> 37,460.31 responses per respondent per trading days \* 252 trading days \* .001 seconds per quote update/3,600 seconds in an hour = 2.62 burden hours per respondent.

<sup>27</sup> 2.62 burden hours \* 30 Participants = approximately 78.7 burden hours.

such orders. Importantly, this approach allowed staff to more accurately identify routed orders that were at or inside the NBBO, which focused the analysis on the specific group of orders potentially covered by Rule 604 as compared to the broader universe of all non-marketable limit orders used in previous estimates.

The estimated burden per response has also decreased from 0.1 seconds to 0.001 seconds per response. The data reported to CAT also allowed staff to directly measure the time between a firm reporting accepting an order and reporting routing it to an exchange. Because CAT data is typically reported in microseconds or nanoseconds, these measurements are significantly more precise than previous estimates based on Rule 605 data, which are reported in tenths or hundredths of a second.

The use of CAT data led to a decrease in the estimated total number of annual responses from 1,212,999,870 responses per year to 283,200,000 responses. This decrease, as noted above, was likely due at least in part to CAT data allowing more targeted identification of the orders potentially covered by Rule 604. In addition, the availability of CAT data allowed more targeted identification of broker-dealers that might be acting in the capacity of a specialist or OTC market maker, a process that contributed, at least in part, to a resulting decrease in the number of respondents from 318 to 30. Because there were fewer respondents, there were more responses handled per respondent (9,440,000 versus 3,814,465.409), even though the overall total number of responses has decreased. Because CAT also yielded a more precise time estimate of .001 seconds per response (versus .1 seconds per response), the aggregate annual burden hours per respondent and for the industry as a whole also decreased significantly (from 105.957 to 2.6, which represents a 97.5% decrease, and from 33,694 to 78.7, which represents a 99.7% decrease, respectively).

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

Not applicable. The information collection is not used for statistical 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**

This collection complies with the requirements in 5 CFR 1320.9.

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

This collection does not involve statistical methods.