



441 G St. N.W.
Washington, DC 20548

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December 4, 2018

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Disclosure of Order Handling Information*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission) entitled "Disclosure of Order Handling Information" (RIN: 3235-AL67). We received the rule on November 6, 2018. It was published in the *Federal Register* as a final rule on November 19, 2018. 83 Fed. Reg. 58,338. The effective date of the final rule is January 18, 2019.

The final rule adopts amendments to the Regulation National Market System (Regulation NMS) to require additional disclosures by broker-dealers to customers regarding the handling of their orders. The final rule also adds a new disclosure requirement which requires a broker-dealer, upon request of its customer, to provide specific disclosures related to the routing and execution of the customer's National Market System (NMS) stock orders submitted on a not held basis for the prior 6 months, subject to two de minimis exceptions.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you

have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Julia C. Matta
Managing Associate General Counsel

Enclosure

cc: Brent J. Fields
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“DISCLOSURE OF ORDER HANDLING INFORMATION”
(RIN: 3235-AL67)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) identified the costs and benefits associated with the final rule. The Commission stated that many, but not all, of the costs of the final rule involve a collection of information, which the Commission stated is described in the Paperwork Reduction Act section of the final rule.

The Commission also determined that the adopted approach based on the distinction between not held and held orders, targets reports to the investors most likely to benefit from them and to the orders in which the reports would be most meaningful. Additionally, the Commission stated that because of the discretion afforded in the handling of not held orders, the complexity in which not held orders are handled, and the customer-specific nature of instructions for handling not held orders, the granular level of information the reports provide for not held orders will be beneficial.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission determined that this final rule will not have a significant impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551*et seq.*

On July 27, 2016, the Commission published a proposed rule. The Commission responded to the comments it received in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission determined that provisions of the final rule contain collection of information requirements. The Commission stated that it published a notice requesting comment on the collection requirements and has submitted relevant information to the Office of Management and Budget for review.

Statutory authorization for the rule

The Commission stated that it promulgated this final rule pursuant to the Exchange Act and particularly sections 3(b), 5, 6, 11A, 15, 17, and 23(a).

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the Order.