

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 606 of Regulation NMS

A. Justification

1. Necessity of Information Collection

This information collection is required under Rule 606 and Section 17(a) of the Securities Exchange Act of 1934 (“Exchange Act”). The Commission adopted Rule 606 f/k/a Rule 11Ac1-6 as part of Regulation NMS.¹ The order routing information required by Rule 606 is necessary to further the national market system objectives. These objectives include the economically efficient execution of orders, fair competition among broker-dealers and among markets, the availability to broker-dealers and investors of information with respect to transactions in securities, and the practicability of broker-dealers executing investors’ orders in the best market.

On July 13, 2016, the Commission proposed amendments to Rule 606 of Regulation NMS to require new disclosures by broker-dealers relating to their handling of institutional orders and enhancements to existing disclosures with respect to retail orders.²

As proposed, the amendments to Rule 606 would require collections of information, as summarized in the table below.

Information Item	Rule	Existing or New Collection
Customer-Specific Disclosures on Institutional Order Handling	606(b)(3)	New
Quarterly Aggregated Public Disclosures on Institutional Order Handling	606(c)	New
Assignment and Documentation of Institutional Order Routing Strategies	606(b)(3)(v)	New
Existing Disclosures on Retail Order Handling	606(a)(1), 606(b)(1)	Existing
Amendments to Disclosures on Retail Order Handling	606(a)(1), 606(b)(1)	New

¹ See Securities Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005).

² See Securities Exchange Act Release No. 78309 (July 13, 2016), 81 FR 49431 (July 27, 2016) (“Proposing Release”).

2. Purpose and Use of the Information Collection

The purpose of the information collection is to make information about order routing practices available to individual investors and the public. The information disclosed by Rule 606 is used by investors and broker-dealers. Investors use the information in selecting a broker-dealer and in determining whether the broker-dealers they have chosen are making sound order-routing decisions. Broker-dealers use the information to compete on the basis of order routing services.

Currently, Rule 606 requires disclosures relating to retail orders. The proposed amendments to Rule 606 extend the required disclosures to include institutional orders and also enhance the existing retail order disclosures. Generally, the order routing disclosures required under the proposed amendments to Rule 606 would provide detailed information to both institutional and retail customers that would enable them to evaluate how their orders were routed by their broker-dealers, assess conflicts of interest facing their broker-dealers in providing order routing services, and have the ability to engage in informed discussions with their broker-dealers about the broker-dealer's order routing practices. The proposed order routing disclosures could inform future decisions on whether to retain a broker-dealer's order routing services or engage the order routing services of a new broker-dealer. In addition, broker-dealers may use the public disclosures to compete on the basis of order routing services.

3. Consideration Given to Information Technology

Current Rule 606 requires broker-dealers to prepare and disseminate quarterly retail order routing reports. Much of the information needed to generate these reports already should be collected by broker-dealers in connection with their periodic evaluations of their order routing practices. Broker-dealers must conduct such evaluations to fulfill the duty of best execution that they owe their customers under agency law. To comply with the Rule, however, broker-dealers would incur additional burdens in preparing the reports and disseminating them on a free Internet Web site (and responding to requests for written copies of the reports).

Amended Rule 606 would require a broker-dealer that receives institutional orders in NMS stocks to, upon request, provide customer-specific reports on their institutional order handling and to also make publicly available on a quarterly basis a report that aggregates information on institutional order handling. The proposal also enhances existing disclosures on retail order handling. The Commission preliminarily believes that many broker-dealers that route institutional and retail orders already create and retain the order handling information required by the proposed amendments to Rule 606.³ However, to comply with the proposed amendments to the Rule, some broker-dealers would incur additional burdens to update their systems to create and retain the information required by the proposal, and most broker-dealers would incur additional burdens to update their systems to respond to requests for customer-specific order

³ See Proposing Release, supra note 2, 49469, 49474.

handling disclosures.

The Commission believes that broker-dealers whose systems do not currently support creating and retaining the proposed information will upgrade their systems either in-house or via a third-party service provider.⁴ The Commission has solicited comment on whether there are ways to minimize the burden of collection of information on those who are to respond, including through the use of automated collection techniques or other forms of information technology.⁵

The Commission is also proposing that the public retail order routing reports required by current Rule 606(a)(1) and customer-specific retail order routing reports required by current Rule 606(b)(1) be made available using an XML schema and associated PDF renderer to be published on the Commission's website.⁶ The Commission preliminarily believes that retail customers would have a similar interest as institutional customers in receiving the reports in a format that would allow them to use software applications to automatically recognize and process the information rather than having to manually enter the data to perform a comparison across broker-dealers.

Broker-dealers 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.

4. Duplication

Duplication of information is currently not a concern; the reported information is not duplicated elsewhere.

5. Effect on Small Entities

Under the standard for determining whether a broker-dealer is a small entity in Exchange Act Rule 0-10(b), the Commission estimates that no broker-dealers subject to current or proposed Rule 606 is a small entity.

6. Consequences of Not Conducting Collection

The quarterly disclosures required by Rule 606 allow customers periodically to evaluate and monitor their broker-dealer's order routing decisions. A less frequent collection would limit investors' opportunities to undertake this critical evaluation.

⁴ See id.

⁵ See id. at 49477.

⁶ Proposed Rules 606(a)(1) and (b)(1).

The quarterly and customer-specific disclosures on institutional order routing proposed in the amendments to Rule 606 would allow customers to evaluate and monitor their broker-dealer's order routing decisions on both a periodic and ad-hoc basis. A less frequent collection would limit investors' opportunities to undertake this critical evaluation.

7. Inconsistencies with Guidelines in 5 CFR Part 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 solicited comments on the proposed new collection of information requirements and associated paperwork burdens.⁷ A copy of the Proposing Release is attached.

The Commission will consider all comments received prior to publishing the final rule, and will explain in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 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.

9. Payment or Gift

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

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

12. Burden of Information Collection

A. Current Burden of Rule 606

⁷ See Proposing Release, supra note 2, at 49477.

The collection of information obligations of Rule 606 apply to broker-dealers that route non-directed customer orders in covered securities. As of the most recent PRA renewal in 2016, the Commission estimates that there are 266 broker-dealers (185 clearing brokers and 81 introducing brokers) that are potentially subject to the collection of information obligations of Rule 606.⁸ Each of these respondents (if engaged in the business of routing non-directed orders on behalf of customers) is required to respond to the collection of information on a quarterly basis with respect to the Rule's reporting obligations, and on an ongoing basis with respect to the Rule's requirement to respond to customer requests for order routing information.

The Commission staff estimates that each firm significantly involved in order routing practices will incur an average burden of 40 hours to prepare and disseminate a quarterly report required by Rule 606, or a burden of 160 hours per year. With an estimated 266 broker-dealers significantly involved in order routing practices, the total industry-wide burden per year to comply with the quarterly reporting requirement in Rule 606 is estimated to be 42,560 hours (160 x 266).

Rule 606 also requires broker-dealers to respond to individual customer requests for information on orders handled by the broker-dealer for that customer. Clearing brokers generally bear the burden of responding to these requests. The Commission staff estimates that an average clearing broker will incur an annual burden of 400 hours (2000 responses x 0.2 hours/response) to prepare, disseminate, and retain responses to customers required by Rule 606. With an estimated 185 clearing brokers subject to the Rule, the total industry-wide burden per year to comply with the customer response requirement in Rule 606 is estimated to be 74,000 hours (185 x 400).

B. Burden of Proposed Amendments to Rule 606

The collection of information obligations of the proposed amendments to Rule 606 also apply to broker-dealers that route non-directed customer orders in covered securities. The Commission estimates that there are 266 broker-dealers (185 clearing brokers and 81 introducing brokers) that are potentially subject to the collection of information obligations of Rule 606.⁹ The Commission estimates that all 266 broker-dealers are involved in routing retail orders and 200 broker-dealers are involved in routing institutional orders.¹⁰

a. Customer-Specific Disclosures on Institutional Order Handling – Proposed Rule 606(b)(3)

⁸ 2014 Form BD and Form Custody data.

⁹ See Proposing Release, supra note 2, at 49469, 49474.

¹⁰ See id. at 49469. “Institutional order” and “retail order” are defined by proposed amendments to Rule 600. See id. at 49444-45, 49466.

i. Initial Reporting and Recordkeeping Burden

Proposed Rule 606(b)(3) would establish new recordkeeping requirements applicable to broker-dealers that route institutional orders and enhance existing recordkeeping requirements for broker-dealers that route retail orders. The Commission preliminarily believes that many broker-dealers that route institutional orders already create and retain the order handling information required by proposed Rule 606(b)(3), either through proprietary in-house systems or through third-party service providers. Accordingly, the Commission has provided two estimates for the initial reporting and recordkeeping burden imposed by proposed Rule 606(b)(3) – one for broker-dealers that route institutional orders whose systems do not currently support creating and retaining the information required by Rule 606(b)(3) who will upgrade their systems either in-house or via a third-party service provider, and another for broker-dealers that route institutional orders whose systems currently do create and retain such information, including those that use a third-party service provider whose systems currently obtain such information.

The Commission estimates that the initial burden to implement the requirements of proposed Rule 606(b)(3) would be 2,000 hours¹¹ for broker-dealers with systems that do not capture the information required by the proposed rule to perform the necessary system upgrades in-house to both capture the information and produce the report required by the proposed rule. The Commission estimates that the total burden for broker-dealers with systems that already capture the information required by the proposed rule to upgrade their systems in-house to produce the report required by the proposed rule would be 5,000 hours.¹²

The Commission estimates that the initial burden to implement the requirements of proposed Rule 606(b)(3) would be 750 hours¹³ for broker-dealers with systems that do not capture the information required by the proposed rule to engage a third party to perform the necessary system upgrades to both capture the information and produce the report required by the proposed rule. The Commission estimates that the total burden for broker-dealers with systems

¹¹ 200 hours x 10 broker-dealers that will perform the necessary upgrades in-house. The associated monetized burden is \$604,200: 10 broker-dealers x \$60,420 (Sr. Programmer for 100 hours at \$303 per hour) + (Sr. Database Administrator for 40 hours at \$312 per hour) + (Sr. Business Analyst for 40 hours at \$251 per hour) + (Attorney for 20 hours at \$380 per hour).

¹² 40 hours x 125 broker-dealers that will produce the report in-house. The associated monetized burden is \$1,510,500: 125 broker-dealers x 12,084 (Sr. Programmer for 20 hours at \$303 per hour) + (Sr. Database Administrator for 8 hours at \$312 per hour) + (Sr. Business Analyst for 8 hours at \$251 per hour) + (Attorney for 4 hours at \$380 per hour).

¹³ 50 hours x 15 broker-dealers that will engage a third party to perform the necessary upgrades. The associated monetized burden is \$226,875: 15 broker-dealers x \$15,125 (Sr. Business Analyst for 15 hours at \$251 per hour) + (Compliance Manager for 20 hours at \$283 per hour) + (Attorney for 15 hours at \$380 per hour).

that already capture the information required by the proposed rule to engage a third party to upgrade their systems to produce the report required by the proposed rule would be 1,000 hours.¹⁴

Therefore, the estimated total initial burden to comply with proposed Rule 606(b)(3) is 8,750 hours¹⁵ or 2,916.67 hours per year when annualized over three years.¹⁶

ii. Annual Reporting and Recordkeeping Burden

The Commission estimates that for broker-dealers that will respond in-house to individual customer requests for information on institutional order handling under proposed Rule 606(b)(3), the annual burden will be 54,000 hours.¹⁷ The annual burden for broker-dealers that will engage a third party to respond to individual customer requests will be 13,000 hours.¹⁸

Therefore, the estimated total annual burden to comply with proposed Rule 606(b)(3) is 67,000 hours.¹⁹

¹⁴ 20 hours x 50 broker-dealers that that will engage a third party to produce the report. The associated monetized burden is \$286,300: 50 broker-dealers x \$5,726 (Sr. Business Analyst for 4 hours at \$251 per hour) + (Compliance Manager for 14 hours at \$283 per hour) + (Attorney for 2 hours at \$380 per hour).

¹⁵ 2,000 hours + 5,000 hours + 750 hours + 1,000 hours = 8,750 hours. The associated monetized burden is \$2,627,875 = \$604,200 + \$1,510,500 + \$226,875 + \$286,300.

¹⁶ 8,750 hours / 3 years = 2,916.67 hours. The associated monetized burden is \$875,958.33 per year (\$2,627,875 annualized over three years).

¹⁷ 135 broker-dealers x 400 hours annually (the Commission estimates there will be 200 requests annually, each of which will take an average of 2 hours to respond). The associated monetized burden is \$51,300: 200 requests x 135 broker-dealers x \$380 (Programmer Analyst for 1 hour at \$220 per hour) + (Jr. Business Analyst for 1 hour at \$160 per hour).

¹⁸ 65 broker-dealers x 200 hours annually (the Commission estimates there will be 200 requests annually, each of which will take an average of 1 hour to respond). The associated monetized burden is \$18,395: 200 requests x 65 broker-dealers x \$283 (Compliance Manager for 1 hour at \$283 per hour).

¹⁹ 54,000 hours + 13,000 hours = 67,000 hours. The associated monetized burden is \$69,695 = \$51,300 + \$18,395.

b. Quarterly Aggregated Public Disclosures on Institutional Order Handling – Proposed Rule 606(c)

i. Initial Reporting and Recordkeeping Burden

The Commission believes that some broker-dealers will format the quarterly public aggregated institutional order handling reports required by proposed Rule 606(c) in-house while other broker-dealers will use a third-party service provider to format the reports. For broker-dealers that format the reports in-house, the Commission estimates that the initial burden will be 2,700 hours.²⁰ For broker-dealers that engage a third party to format the reports, the initial burden will be 325 hours.²¹

Therefore, the estimated total initial burden to comply with proposed Rule 606(c) is 3,025 hours²² or 1008.33 hours per year when annualized over three years.²³

ii. Annual Reporting and Recordkeeping Burden

For broker-dealers that prepare the quarterly public institutional handling reports in-house, the Commission estimates that the annual burden will be 5,400 hours.²⁴ For broker-dealers that will engage a third party to prepare the quarterly reports, the Commission estimates that the annual burden will be 5,400 hours.²⁵

Therefore, the estimated total annual burden to comply with proposed Rule 606(c) is

²⁰ 135 broker-dealers x 20 hours = 2,700 hours. The associated monetized burden is \$673,650: 135 broker-dealers x \$4,990 (Programmer for 10 hours at \$248 per hour) + (Sr. Business Analyst for 10 hours at \$251 per hour).

²¹ 65 broker-dealers x 5 hours = 325 hours. The associated monetized burden is \$91,975: 65 broker-dealers x \$1,415 (Compliance Manager for 5 hours at \$283 per hour).

²² 2,700 hours + 325 hours = 3,025 hours. The associated monetized burden is \$765,625 = \$673,650 + \$91,975

²³ 3,025 hours / 3 years = 2,916.67 hours. The associated monetized burden is \$255,208.33 per year (\$765,625 annualized over three years).

²⁴ 135 broker-dealers x 10 hours x 4 quarterly reports annually = 5,400 hours. The associated monetized burden is \$864,000: 4 quarterly reports x 135 broker-dealers x \$1,600 (Jr. Business Analyst for 10 hours at \$160 per hour).

²⁵ 65 broker-dealers x 2 hours x 4 quarterly reports annually = 520 hours. The associated monetized burden is \$115,180: 4 quarterly reports x 65 broker-dealers x \$443 (Jr. Business Analyst for 1 hours at \$160 per hour) + (Compliance Manager for 1 hours at \$283 per hour).

5,920 hours.²⁶

c. Assignment and Documentation of Institutional Order Routing Strategies – Proposed Rule 606(b)(3)(v)

i. Initial Reporting and Recordkeeping Burden

The Commission estimates that the initial burden for broker-dealers that route institutional orders to categorize their own current routing strategies and establish and document specified methodologies for categorizing order routing strategies, as required by proposed Rule 606(b)(3)(v), will be 5,400 hours.²⁷ The initial burden for broker-dealers to engage a third party to do so is 650 hours.²⁸

Therefore, the estimated total initial burden to comply with proposed Rule 606(b)(3)(v) is 6,050 hours²⁹ or 2,016.67 hours per year when annualized over three years.³⁰

ii. Annual Reporting and Recordkeeping Burden

For broker-dealers that categorize their institutional order routing strategies in-house, the Commission estimates that the annual burden will be 2,025 hours.³¹ The initial burden for broker-dealers to engage a third party to do so is 325 hours.³²

²⁶ 5,400 hours + 520 hours = 5,920 hours. The associated monetized burden is \$979,180 = \$864,000 + \$115,180.

²⁷ 135 broker-dealers x 40 hours = 5,400 hours. The associated monetized burden is \$1,703,700: 135 broker-dealers x \$12,620 (Sr. Business Analyst for 20 hours at \$251 per hour) + (Attorney for 20 hours at \$380 per hour).

²⁸ 65 broker-dealers x 10 hours annually = 520 hours. The associated monetized burden is \$188,240: 65 broker-dealers x \$2,896 (Sr. Business Analyst for 4 hours at \$251 per hour) + (Compliance Manager for 4 hours at \$283 per hour) + (Attorney for 2 hours at \$380 per hour).

²⁹ 5,400 hours + 650 hours = 6,050 hours. The associated monetized burden is \$1,891,940 = \$1,703,700 + \$188,240.

³⁰ 6,050 hours / 3 years = 2,016.67 hours. The associated monetized burden is \$630,646.67 per year (\$1,891,940 annualized over three years).

³¹ 135 broker-dealers x 15 hours annually = 2,025 hours. The associated monetized burden is \$472,500: 135 broker-dealers x \$3,500 (Jr. Business Analyst for 10 hours at \$160 per hour) + (Attorney for 5 hours at \$380 per hour).

³² 65 broker-dealers x 5 hours annually = 325 hours. The associated monetized burden is \$104,585: 65 broker-dealers x \$1,609 (Compliance Manager for 3 hours at \$283 per hour) + (Attorney for 2 hours at \$380 per hour).

Therefore, the estimated total annual burden to comply with proposed Rule 606(c) is 2,350 hours.³³

d. Amendments to Disclosures on Retail Order Handling – Proposed Rules 606(a)(1) and 606(b)(1)

i. Initial Reporting and Recordkeeping Burden

For broker-dealers that route retail orders, the Commission believes, similarly as with the implementation of the proposed rules on institutional order routing discussed above, that some broker-dealers have systems that already create and retain the order handling information required by the proposed amendments to the existing Rule 606 retail order disclosures, either through proprietary systems or through third-party service providers. Accordingly, the Commission has also provided one estimate for each such category of broker-dealer and further broken down those estimates by whether the broker-dealer will upgrade its systems in-house or via a third-party service provider.

For broker-dealers that route retail orders and do not currently capture information required by proposed Rule 606(a)(1) to perform the necessary system updates in-house to both capture the information and produce the report³⁴ required by the proposed rule, the Commission estimates that the initial burden will be 1,900 hours.³⁵ For broker-dealers that currently capture information required by the proposed Rules and that format the data in-house into their existing reports, the initial burden would be 2,160 hours.³⁶

For broker-dealers that route retail orders and do not currently capture information

³³ 2,025 hours + 325 hours = 2,350 hours. The associated monetized burden is \$577,085 = \$472,500 + \$104,585.

³⁴ This estimate includes the burden of making both the enhanced disclosure required by proposed Rule 606(a)(1) and the current disclosure required by proposed Rule 606(b)(1) available using the most recent versions of the XML schema and the associated PDF renderer, as published on the Commission's Web site, as required by both proposed Rule 606(a)(1) and 606(b)(1). See Proposing Release, supra note 2, at 49475.

³⁵ 25 broker-dealers x 76 hours = 1,900 hours. The associated monetized burden is \$566,200: 25 broker-dealers x \$22,648 (Sr. Programmer for 40 hours at \$303 per hour) + (Sr. Database Administrator for 16 hours at \$312 per hour) + (Sr. Business Analyst for 16 hours at \$251 per hour) + (Attorney for 4 hours at \$380 per hour).

³⁶ 108 broker-dealers x 20 hours = 2,160 hours. The associated monetized burden is \$537,300: 108 broker-dealers x \$4,975 (Programmer for 15 hours at \$248 per hour) + (Sr. Business Analyst for 5 hours at \$251 per hour).

required by proposed Rule 606(a)(1) to engage a third party to perform the necessary system updates to both capture the information and produce the report required by the proposed rule, the Commission estimates that the initial burden will be 500 hours.³⁷ For broker-dealers that currently capture information required by the proposed Rules and will engage a third party to format the data into their existing reports, the initial burden would be 864 hours.³⁸

For all 266 broker-dealers required to provide reports on retail order routing, the initial burden to review, assess, and disclose their payment for order flow arrangements and profit-sharing relationships would be 2,660 hours.³⁹

Therefore, the estimated total initial burden to comply with proposed Rules 606(a)(1) and (b)(1) is 8,084 hours⁴⁰ or 2,694.67 hours per year when annualized over three years.⁴¹

ii. Annual Reporting and Recordkeeping Burden

For all 266 broker-dealers required to provide reports on retail order routing, the Commission estimates that the annual burden to monitor payment for order flow and profit-sharing relationships and potential self-regulatory organization rule changes that could impact their order routing decisions and incorporate any new information into their reports will be 2,660 hours.⁴² The Commission estimates that the annual burden for all broker-dealers to describe and

³⁷ 25 broker-dealers x 20 hours = 500 hours. The associated monetized burden is \$149,625: 25 broker-dealers x \$5,985 (Sr. Business Analyst for 5 hours at \$251 per hour) + (Compliance Manager for 10 hours at \$283 per hour) + (Attorney for 5 hours at \$380 per hour).

³⁸ 108 broker-dealers x 8 hours = 864 hours. The associated monetized burden is \$275,940: 108 broker-dealers x \$2,555 (Compliance Manager for 5 hours at \$283 per hour) + (Attorney for 3 hours at \$380 per hour).

³⁹ 266 broker-dealers x 10 hours annually = 2,660 hours. The associated monetized burden is \$839,230: 266 broker-dealers x \$3,155 (Sr. Business Analyst for 5 hours at \$251 per hour) + (Attorney for 5 hours at \$380 per hour).

⁴⁰ 1,900 hours + 2,160 hours + 500 hours + 864 hours + 2,660 hours = 8,084 hours. The associated monetized burden is \$2,368,295 = \$566,200 + \$537,300 + \$149,625 + \$275,940 + \$839,230.

⁴¹ 8,084 hours / 3 years = 2,694.67 hours. The associated monetized burden is \$789,431.67 per year (\$2,368,295 annualized over three years).

⁴² 266 broker-dealers x 10 hours annually = 2,660 hours. The associated monetized burden is \$839,230: 266 broker-dealers x \$3,155 (Sr. Business Analyst for 5 hours at \$251 per hour) + (Attorney for 5 hours at \$380 per hour).

update any terms of payment for order flow arrangements and profit-sharing relationships with a Specified Venue that may influence their order routing decisions pursuant to proposed Rule 606(a)(1)(iv) will be 3,990 hours.⁴³

Therefore, the estimated total annual burden to comply with proposed Rule 606(c) is 6,650 hours.⁴⁴

⁴³ 266 broker-dealers x 25 hours annually = 3,990 hours. The associated monetized burden is \$931,000: 266 broker-dealers x \$3,500 (Jr. Business Analyst for 10 hours at \$160 per hour) + (Attorney for 5 hours at \$380 per hour).

⁴⁴ 2,660 hours + 3,990 hours = 6,650 hours. The associated monetized burden is \$1,770,230 = \$839,230 + \$931,000.

Total Annual Hourly Burden for Respondents: 207,116.34 hours

Name of Information Collection	Type of Burden	Burden Description	A.	B.	C.	D.	E.	F.	G.	Total Annual Burden	Small Business Entities Affected
			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		
						[C / 3 years]		[D + E]	[F * B]	[G * A]	
Customer-Specific Disclosures on Institutional Order Handling – Proposed Rule 606(b)(3)	Recordkeeping/Third party disclosure – New information collection	Update data capture systems and create reports in house	10	1	200 hours	66.67 hours	0 hours	66.67 hours	66.67 hours	666.67 hours	0
		Engage third party to update data capture systems and create reports	15	1	50 hours	16.67 hours	0 hours	16.67 hours	16.67 hours	250 hours	0
		Create reports in house	125	1	40 hours	13.33 hours	0 hours	13.33 hours	13.33 hours	1,666.67 hours	0
		Engage third party to create reports	50	1	20 hours	6.67 hours	0 hours	6.67 hours	6.67 hours	333.33 hours	0
		Respond to customer requests in house	135	200	0 hours	0 hours	2 hours	2 hours	400 hours	54,000 hours	0
		Engage third party to respond to customer requests	65	200	0 hours	0 hours	1 hour	1 hour	200 hours	13,000 hours	0
Quarterly Aggregated Public Disclosures on Institutional Order Handling – Proposed Rule 606(c)	Recordkeeping/Third party disclosure – New information collection	Create and issue quarterly report in house	135	4	5 hours (20 hours / 4 responses)	1.67 hours	10 hours	11.67 hours	46.67 hours	6,300 hours	0
		Engage third party to create and issue quarterly report	65	4	1.25 hours (5 hours / 4 responses)	0.417 hours	2 hours	2.417 hours	9.67 hours	628.33 hours	0
Assignment and Documentation of Institutional Order Routing Strategies – Proposed Rule 606(b)(3)(v)	Recordkeeping – New information collection	Document strategies in house	135	1	40 hours	13.33 hours	15 hours	28.33 hours	28.33 hours	3,825 hours	0
		Engage third party to document strategies	65	1	10 hours	3.33 hours	5 hours	8.33 hours	8.33 hours	541.67 hours	0
Amendments to Disclosures on Retail Order Handling – Proposed Rules 606(a)(1) and 606(b)(1)	Recordkeeping/Third party disclosure – New information collection	Update data capture systems and create reports in house	25	1	76 hours	25.33 hours	0 hours	25.33 hours	25.33 hours	633.33 hours	0
		Engage third party to update data capture systems and create reports	25	1	20 hours	6.67 hours	0 hours	6.67 hours	6.67 hours	166.67 hours	0
		Create reports in house	108	1	20 hours	6.67 hours	0 hours	6.67 hours	6.67 hours	720 hours	0
		Engage third party to create reports	108	1	8 hours	2.67 hours	0 hours	2.67 hours	2.67 hours	288 hours	0
		Assess payment for order flow and profit-sharing relationships	266	1	10 hours	3.33 hours	25 hours	28.33 hours	28.33 hours	7,536.67 hours	0
Existing Disclosures on Retail Order Handling	Third party disclosure – Existing information collection	Create and issue quarterly report	266	4	0 hours	0 hours	40 hours	40 hours	160 hours	42,560 hours	0
		Respond to customer requests	185	2,000	0 hours	0 hours	0.2 hours	0.2 hours	400 hours	74,000 hours	0
TOTAL:										207,116.34 hours	

13. Costs to Respondents

A. Current Cost of Rule 606

As of the most recent PRA renewal in 2016, there are no applicable costs associated with the rule: (a) it is not anticipated that respondents will have to incur any capital and start-up cost to comply with the rule; (b) it is not anticipated that the respondents will have to incur any additional operational or maintenance cost (other than provided for in item no. 12) to comply with the rule.

B. Cost of Proposed Amendments to Rule 606

a. Customer-Specific Disclosures on Institutional Order Handling – Proposed Rule 606(b)(3)

i. Initial Reporting and Recordkeeping Costs

The Commission estimates that the initial cost for broker-dealers that route institutional orders with systems that do not capture the information required by the proposed rule to engage a third party to perform the necessary system upgrades to both capture the information and produce the report required by the proposed rule would be \$525,000.⁴⁵ For broker-dealers whose systems already capture the information required by the proposed rule to engage a third party to produce the report required by the proposed rule, the total cost would be \$250,000.⁴⁶ The Commission estimates that the initial cost for broker-dealers that do not currently have systems in place and will need to purchase hardware and software upgrades to fulfill the requirements of the proposed rule would be \$150,000.⁴⁷

Therefore, the estimated total initial cost to comply with proposed Rule 606(b)(3) is \$925,000⁴⁸ or \$308,333.33 per year when annualized over three years.⁴⁹

i. Annual Reporting and Recordkeeping Costs

For broker-dealers that route institutional orders and are anticipated to use third-party service providers to respond to individual customer requests for information on institutional

⁴⁵ 15 broker-dealers x \$35,000 to engage a third party service provider = \$525,000.

⁴⁶ 50 broker-dealers x \$5,000 to engage a third party service provider = \$250,000.

⁴⁷ 10 broker-dealers x \$15,000 to purchase hardware and software upgrades = \$150,000.

⁴⁸ \$525,000 + \$250,000 + \$150,000 = \$925,000.

⁴⁹ \$925,000 / 3 years = \$308,333.33.

orders, the total annual cost will be \$1,300,000.⁵⁰

b. Quarterly Aggregated Public Disclosures on Institutional Order Handling – Proposed Rule 606(c)

i. Initial Reporting and Recordkeeping Costs

For broker-dealers that engage a third party to format the quarterly public aggregated institutional order handling reports required by proposed Rule 606(c), the Commission estimates that the total initial cost will be \$162,500⁵¹ or \$54,166.67 per year when annualized over three years.⁵²

ii. Annual Reporting and Recordkeeping Costs

For broker-dealers that engage a third party to issue the quarterly public aggregated institutional order handling reports, the total annual cost is estimated to be \$130,000.⁵³

c. Assignment and Documentation of Institutional Order Routing Strategies – Proposed Rule 606(b)(3)(v)

i. Initial Reporting and Recordkeeping Costs

The Commission estimates that the total initial cost for broker-dealers that route institutional orders and engage a third party to categorize their current order routing strategies and establish and document specified methodologies for assigning order routing strategies as required by proposed Rule 606(b)(3)(v), will be \$325,000⁵⁴ or \$108,333.33 per year when annualized over three years.⁵⁵

ii. Annual Reporting and Recordkeeping Costs

For broker-dealers that engage a third party to categorize their institutional order routing

⁵⁰ 65 broker-dealers x 200 annual requests x \$100 per request to engage a third party service provider = \$1,300,000.

⁵¹ 65 broker-dealers x \$2,500 to engage a third party service provider = \$162,500.

⁵² \$162,500 / 3 years = \$54,166.67.

⁵³ 65 broker-dealers x 4 quarterly reports annually x \$500 per report to engage a third party service provider = \$130,000.

⁵⁴ 65 broker-dealers x \$5,000 to engage a third party service provider = \$325,000.

⁵⁵ \$325,000 / 3 years = \$108,333.33.

strategies, the total annual cost is estimated to be \$65,000.⁵⁶

d. Amendments to Disclosures on Retail Order Handling – Proposed Rules 606(a)(1) and 606(b)(1)

i. Initial Reporting and Recordkeeping Burden

The Commission estimates that the initial cost of making available customer-specific reports on retail order routing pursuant to proposed Rule 606(a)(1) will be \$250,000 for broker-dealers that do not currently capture information required by the proposed rule and that perform the necessary system updates by engaging a third-party service provider.⁵⁷ For broker-dealers that currently capture information required by the proposed rule and engage a third-party service provider to format the data into its existing reports, the initial cost would be \$216,000.⁵⁸

Therefore, the estimated total initial cost to comply with proposed Rules 606(a)(1) and (b)(1) is \$466,000⁵⁹ or \$155,333.33 per year when annualized over three years.⁶⁰

ii. Annual Reporting and Recordkeeping Costs

The Commission estimates no annual reporting or recordkeeping costs to comply with proposed Rules 606(a)(1) and (b)(1).

⁵⁶ 65 broker-dealers x \$1,000 to engage a third party service provider = \$65,000.

⁵⁷ 25 broker-dealers x \$10,000 to engage a third party service provider = \$250,000.

⁵⁸ 108 broker-dealers x \$2,000 to engage a third party service provider = \$216,000.

⁵⁹ \$250,000 + \$216,000 = \$466,000.

⁶⁰ \$466,000 / 3 years = \$155,333.33. These estimates include the costs to broker-dealers of upgrading their systems to produce both the customer-specific and public quarterly retail order routing reports in the proposed format. See supra note 34.

Total Annual Cost for Respondents: \$2,121,166.67

Summary of Dollar Costs											
Name of Information Collection	Type of Burden	Burden Description	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	E. Ongoing Cost per Entity per Response	F. Annual Cost Per Entity per Response	G. Total Annual Cost Per Entity	Total Annual Industry Cost	Small Business Entities Affected
						[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Customer-Specific Disclosures on Institutional Order Handling – Proposed Rule 606(b)(3)	Recordkeeping/Third party disclosure – New information collection	Engage third party to update data capture systems and create reports	15	1	\$35,000.00	\$11,666.67	\$0.00	\$11,666.67	\$11,666.67	\$175,000.00	0
		Engage third party to create reports	50	1	\$5,000.00	\$1,666.67	\$0.00	\$1,666.67	\$1,666.67	\$83,333.33	0
		Update data capture systems and create reports in house	10	1	\$15,000	\$5,000.00	\$0.00	\$5,000.00	\$5,000.00	\$50,000.00	0
		Engage third party to respond to customer requests	65	200	\$0.00	\$0.00	\$100.00	\$100.00	\$20,000.00	\$1,300,000.00	0
Quarterly Aggregated Public Disclosures on Institutional Order Handling – Proposed Rule 606(c)	Recordkeeping/Third party disclosure – New information collection	Engage third party to create and issue quarterly report	65	4	\$625	\$208.33	\$500.00	\$708.33	\$2,833.32	\$184,166.67	0
Assignment and Documentation of Institutional Order Routing Strategies – Proposed Rule 606(b)(3)(v)	Recordkeeping – New information collection	Engage third party to document strategies	65	1	\$5,000.00	\$1,666.67	\$1,000.00	\$2,666.67	\$2,666.67	\$173,333.33	0
Amendments to Disclosures on Retail Order Handling – Proposed Rules 606(a)(1) and 606(b)(1)	Recordkeeping/Third party disclosure – New information collection	Engage third party to update data capture systems and create reports	25	1	\$10,000.00	\$3,333.33	\$0.00	\$3,333.33	\$3,333.33	\$83,333.33	0
		Engage third party to create reports	108	1	\$2,000.00	\$666.67	\$0.00	\$666.67	\$666.67	\$72,000.00	0
TOTAL:										\$2,121,166.67	

14. Costs to Federal Government

Not applicable.

15. Changes in Burden

The total annual hourly and cost burden will increase, as the proposed amendments are enhancing the current disclosure requirements for retail order routing and adding new requirements for customer-specific and quarterly reports on institutional order routing.

16. Information Collections Planned for Statistical Purposes

These are disclosures from brokers to the general public and to specific consumers who request certain information. 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

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable. This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods.

Not applicable.