

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Regulation Best Interest**  
**OMB No. 3235-0762**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

On June 5, 2019, the Commission adopted Rule 15l-1 (17 CFR 240.15l-1) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) (“Exchange Act”) establishing a standard of conduct for broker-dealers and natural persons who are associated persons of a broker-dealer (unless otherwise indicated, together referred to as “broker-dealer” or “BD”) when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer (“Regulation Best Interest”).<sup>1</sup> The Commission adopted Regulation Best Interest pursuant to its authority under Sections 913(f) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”)<sup>2</sup> and Section 15(l) of the Exchange Act.<sup>3</sup>

Section 913(f) of the Dodd-Frank Act provides the Commission with discretionary authority to “commence a rulemaking, as necessary or appropriate to the public interest and for the protection of retail customers (and such other customers as the Commission may by rule provide), to address the legal or regulatory standards of care for brokers, dealers. . .[and] persons associated with brokers or dealers. . . for providing personalized investment advice about securities to such retail customers.”<sup>4</sup> Exchange Act Section 15(l) gives the Commission the authority to: (1) facilitate the provision of simple and clear disclosures to investors regarding the terms of their relationships with brokers, dealers, and investment advisers, including any material conflicts of interest; and (2) examine and, where appropriate, promulgate rules prohibiting or restricting certain sales practices, conflicts of interest, and compensation schemes for brokers, dealers, and investment advisers that the Commission deems contrary to the public interest and the protection of investors.<sup>5</sup>

Rule 15l-1(a)(1) requires broker-dealers and natural persons who are associated persons of a broker-dealer, when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer, to act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the

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<sup>1</sup> See Exchange Act Release No. 86031 (June 5, 2019), 84 FR 33318 (July 12, 2019) (“Adopting Release”); see also Exchange Act Release No. 83062 (Apr. 18, 2018), 83 FR 21574 (May 9, 2018) (“Proposing Release”).

<sup>2</sup> Pub. L. 111-203, 124 Stat. 1376, 1827 (2010).

<sup>3</sup> 15 U.S.C. §78o.

<sup>4</sup> Section 913(f) of the Dodd-Frank Act.

<sup>5</sup> 15 U.S.C. §78o.

broker-dealer or natural person who is an associated person making the recommendation ahead of the interest of the retail customer.

Rule 15l-1(a)(2) establishes four obligations that must be met to satisfy the best interest obligation set forth in Rule 15l-1(a)(1):

1. Disclosure Obligation: requires the broker-dealer or associated person, prior to or at the time of such recommendation, to provide the retail customer, in writing, full and fair disclosure of all material facts relating to the scope and terms of the relationship with the retail customer and all material facts relating to conflicts of interest associated with the recommendation;<sup>6</sup>
2. Care Obligation: requires the broker-dealer or associated person, in making the recommendation, to exercise reasonable diligence, care and skill;<sup>7</sup>
3. Conflicts of Interest Obligation: require the broker-dealer<sup>8</sup> to establish, maintain, and enforce written policies and procedures addressing conflicts of interest associated with its recommendations to retail customers.<sup>9</sup>
4. Compliance Obligation: requires the broker-dealer<sup>10</sup> to also establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest as a whole.<sup>11</sup>

In addition, the Commission adopted record-making and recordkeeping requirements on broker-dealers and associated persons. Paragraph (a)(35) to Rule 17a-3 imposes record-making obligations on broker-dealers subject to Regulation Best Interest. The amendment to Rule 17a-4(e)(5) imposes record retention obligations on broker-dealers subject to Regulation Best Interest.<sup>12</sup>

The information that must be collected pursuant to the foregoing rules is intended to: (1) improve disclosure about the scope and terms of the broker-dealer's relationship with the retail customer, which would foster retail customers' understanding of their relationship with a broker-dealer; (2) enhance the quality of recommendations provided by establishing an express best

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<sup>6</sup> Rule 15l-1(a)(2)(i).

<sup>7</sup> Rule 15l-1(a)(2)(ii).

<sup>8</sup> The Conflicts of Interest Obligation and Compliance Obligation apply solely to the broker or dealer entity, and not to the natural persons who are associated persons of a broker or dealer. For purposes of discussing the Conflicts of Interest Obligation and Compliance Obligation, the term "broker-dealer" refers only to the broker-dealer entity, and not to such individuals.

<sup>9</sup> Rule 15l-1(a)(2)(iii).

<sup>10</sup> See *supra* note 8.

<sup>11</sup> Rule 15l-1(a)(2)(iv).

<sup>12</sup> Because the record-making and recordkeeping obligations adopted under Rule 17a-3 and Rule 17a-4 have their own respective OMB Control Numbers, separate supporting statements were submitted to address these components of Regulation Best Interest.

interest obligation under the federal securities laws; (3) enhance the disclosure of a broker-dealer's conflicts of interest; and (4) establish obligations that require mitigation, and not just disclosure, of conflicts of interest arising from financial incentives associated with broker-dealer recommendations. The information will therefore help establish a framework that protects investors and promotes efficiency, competition, and capital formation.

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

### **i. Disclosure Obligation**

As noted above, the Disclosure Obligation under Rule 15l-1(a)(2)(i) requires a broker-dealer, prior to or at the time of recommending a securities transaction or investment strategy involving securities to a retail customer, to provide the retail customer, in writing, full and fair disclosure of: (1) all material facts relating to the scope and terms of the relationship with the retail customer, including: (a) that the broker-dealer is acting as a broker-dealer with respect to the transaction, (b) the fees and costs that apply to the retail customer's transactions, holdings, and accounts, and (c) the type and scope of services provided to the retail customer, including any material limitations on the securities or investment strategies involving securities that may be recommended to the retail customer; and (2) all material conflicts of interest that are associated with the recommendation.

The collection of information arising from the Disclosure Obligation will facilitate a retail customer's understanding of the nature of their account, the broker-dealer's fees and costs, as well as the nature of services that the broker-dealer provides, and any limitations to those services. It will also reduce retail customers' confusion about the differences among certain financial service providers, such as broker-dealers, investment advisers, and dual-registrants. In addition, the obligation to disclose all material conflicts of interest associated with a recommendation will raise retail customers' awareness of the potential effects of conflicts of interest, and increase the likelihood that broker-dealers will make recommendations that are in the retail customer's best interest.

### **ii. Care Obligation**

Under Rule 15l-1(a)(2)(ii), a broker-dealer must make a reasonable effort to ascertain the potential risks and rewards associated with the recommendation, and to determine whether the recommendation could be in the best interest of at least some retail customers.

### **iii. Conflicts of Interest Obligation**

Rule 15l-1(a)(2)(iii)(A) requires a broker-dealer<sup>13</sup> to establish, maintain, and enforce written policies and procedures reasonably designed to identify and at a minimum disclose, or eliminate, all conflicts of interest associated with a recommendation. Rule 15l-1(a)(2)(iii)(B) requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to identify and mitigate any conflicts of interest associated with a recommendation that create an incentive for a natural person who is an associated person of a

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<sup>13</sup> See *supra* note 8.

broker or dealer to place the interest of the broker, dealer, or such natural person ahead of the retail customer. Rule 15l-1(a)(2)(iii)(C) requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to identify and disclose any material limitations placed on the securities or investment strategies involving securities that may be recommended to a retail customer and any conflicts of interest associated with such limitations and prevent such limitations and associated conflicts of interest from causing the broker-dealer to make recommendations that place the interest of the broker-dealer ahead of the interest of the retail customer. Finally, Rule 15l-1(a)(2)(iii)(D) requires a broker-dealer to establish, maintain, and enforce written policies and procedures reasonably designed to identify and eliminate any sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sales of specific securities or specific types of securities within a limited period of time.

The collection of information arising from the Conflicts of Interest Obligation will help a broker-dealer develop a process, relevant to its retail customers and the nature of its business, for identifying material conflicts of interest, and then determining whether to eliminate, or disclose and/or mitigate, the material conflict and the appropriate means of eliminating, disclosing, and/or mitigating the conflict. As a result of a broker-dealer's eliminating, disclosing, and/or mitigating the effects of conflicts of interest on broker-dealer recommendations, retail customers will be more likely to receive recommendations in their best interest. In addition, the retention of written policies and procedures under this section will generally: (1) assist a broker-dealer in supervising and assessing internal compliance with the Conflicts of Interest Obligation; and (2) assist the Commission and self-regulatory organization ("SRO") staff in connection with examinations and investigations.<sup>14</sup>

#### **iv. Compliance Obligation**

Rule 15l-1(a)(2)(iv) requires a broker-dealer, in addition to the policies and procedures required by paragraph (iii), to establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest. The retention of written policies and procedures under the Compliance Obligation will generally: (1) assist a broker-dealer in supervising and assessing internal compliance with Regulation Best Interest; and (2) assist the Commission and SRO staff in connection with examinations and investigations.

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

The rules do not prescribe particular forms or methods of compliance for broker-dealers or their associated person, to allow maximum flexibility with respect to new technologies as they develop.

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<sup>14</sup> Any written policies and procedures developed pursuant to Regulation Best Interest must be retained pursuant to Exchange Act Rule 17a-4(e)(7), which requires broker-dealers to retain compliance, supervisory, and procedures manuals (and any updates, modifications, and revisions thereto) describing the policies and procedures of the broker-dealer with respect to compliance with applicable laws and rules, and supervision of the activities of each associated person, for a specified period of time. The record retention requirements of Rule 17a-4(e)(7) include any written policies and procedures that broker-dealers may produce pursuant to the Conflicts of Interest Obligation of Regulation Best Interest.

#### **4. Duplication**

The Commission evaluates disclosure, recordkeeping, and record retention rule-based requirements for duplication, and re-evaluates them whenever it proposes a rule or a change in a rule. Although existing principles and obligations similar to those underlying Regulation Best Interest already applied to broker-dealers under other rules and regulations, no other Commission rule established an explicit standard of conduct that requires broker-dealers and their natural associated persons to comply with the express obligations imposed by Regulation Best Interest. We believe that requiring broker-dealers to explicitly act in the best interests of their retail customers – by satisfying the obligations underlying Regulation Best Interest, including the collection of information requirements – is necessary to improve investor protection by enhancing the professional standards of conduct that currently apply to broker-dealers when they make recommendations to retail customers.

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

Based on FOCUS Report data about the broker-dealer retail market, we estimate there are 2,183 broker-dealers, including 1,774 large broker-dealers and 409 small broker-dealers, subject to Regulation Best Interest. Regulation Best Interest does not distinguish between small entities and other broker-dealers. And while different broker-dealers may require different amounts of time or external assistance to comply with Regulation Best Interest, the Commission believes that imposing different requirements on smaller firms would not be consistent with investor protection and the purposes of Regulation Best Interest. However, the Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,<sup>15</sup> to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

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

The information to be collected and recorded under Regulation Best Interest will allow the Commission, state securities regulatory authorities, and SROs to determine whether broker-dealers are in compliance with Regulation Best Interest, and to ensure that broker-dealers are not placing their interests ahead of the interests of their retail customers when making investment recommendations. If a broker-dealer does not make these records, or it makes these records less frequently, the level of investor protection will be reduced.

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

There are no special circumstances. The collection is consistent with 5 CFR 1320.5(d)(2).<sup>16</sup>

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<sup>15</sup> 5 U.S.C. 601 *et seq.*

<sup>16</sup> Rule 17a-4(e)(5) imposes record retention obligations on broker-dealers subject to Regulation Best Interest, including a requirement for broker-dealers to preserve certain records for a period of not less than six years. This inconsistency with the Guidelines in 5 CFR 1320.5(d)(2) is discussed separately in the Supporting Statement for Rule 17a-4.

## **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. No public comments were received.

## **9. Payment or Gift**

No payment or gift is provided to respondents.

## **10. Confidentiality**

The records required by Regulation Best Interest are available only to the examination staff of the Commission, state regulatory authorities, and the SROs. Subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552 (“FOIA”) and the Commission’s rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission generally does not publish or make available information contained in reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of any person or any other investigation.

## **11. Sensitive Questions**

The Information Collection does not collect information about individuals, therefore, a PIA, SORN, and PAS are not required.

## **12. Information Collection Burden**

As noted above, Regulation Best Interest requires the collection of information in connection with the Disclosure, Conflicts of Interest, and Compliance Obligations. The Commission estimates that the respondents will incur the following third-party disclosure and recordkeeping burdens in connection with the regulation:

### **i. Disclosure Obligation- Rule 15l-1(a)(2)(i)**

The Disclosure Obligation is a third-party disclosure burden requiring a broker-dealer, prior to or at the time of recommending a securities transaction or strategy involving securities to a retail customer, to provide the retail customer, in writing, full and fair disclosure of: (1) all material facts relating to the scope and terms of the relationship with the retail customer, including: (a) that the broker, dealer, or such natural person is acting as a broker, dealer, or an associated person of a broker or dealer with respect to the recommendation, (b) the fees and costs that apply to the retail customer’s transactions, holdings, and accounts, and (c) the type and scope of services provided to the retail customer, including any material limitations on the securities or investment strategies involving securities that may be recommended to the retail customer; and (2) all material facts relating to conflicts of interest that are associated with the recommendation.

The Commission assumes for purposes of this analysis that broker-dealers would meet the obligation to disclose to the retail customer, in writing, the material facts related to the scope and terms of the relationship with the retail customer through a combination of delivery of the

Relationship Summary,<sup>17</sup> creating account disclosures to include standardized language related to capacity and type and scope of services, and the development of fee schedules. In addition, we assume that broker-dealers will satisfy the obligation to disclose all material facts relating to conflicts of interest through the use of: (1) a standardized, written disclosure document provided to all retail customers; and (2) supplemental disclosure provided to certain retail customers for recommendations of specific products. We also assume for purposes of this analysis that delivery of written disclosure will occur at the beginning of a relationship, such as together with the account opening agreement. For existing retail customers, the disclosure will need to occur “prior to or at the time” of a recommendation. Subsequent disclosures may be delivered, or the broker-dealer may provide an oral update, under certain circumstances, in the event of a material change or if the broker-dealer determines additional disclosure is needed for certain types of products.

#### *Disclosure of Capacity – Standalone and Dually-Registered BDs*

In terms of meeting the requirement to disclose the capacity in which the broker-dealer is acting (i.e., acting as a broker-dealer, not an investment adviser), burdens will differ depending on whether the firm is only registered as a broker-dealer (“standalone broker-dealer”) or if the firm is also registered as an investment adviser (“dually-registered BD”). For all other aspects of the Disclosure Obligation, the expected burdens will differ depending on whether the firm is small or large, as described below.

Standalone broker-dealers will satisfy the obligation to disclose capacity through delivery to retail customers of the Relationship Summary. Accordingly, we do not estimate any ongoing burdens for standalone broker-dealers to disclose capacity. We estimate that each dually-registered broker-dealer will incur approximately a five hour burden annually for in-house compliance and business-line personnel to review changes in the dual-registrant’s capacity,<sup>18</sup> and another two burden hours annually for in-house counsel to amend the account disclosure to disclose material changes to the dual-registrant’s capacity, for a total of seven burden hours. The estimated ongoing aggregate burden to amend dual-registrants’ account disclosures to reflect changes in capacity is therefore 1,918 hours per year.<sup>19</sup> **These estimates result in a total**

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<sup>17</sup> On June 5, 2019, the Commission adopted Form CRS (17 CFR 249.640) and Rule 17a-14 under the Exchange Act (17 CFR 240.17a-14) requiring a broker-dealer that offers services to retail investors to prepare and file with the Commission through WebCRD, post to the broker-dealer’s website (if it has one), and deliver to retail investors a relationship summary (“Relationship Summary”) to assist retail investors in making an informed choice about whether to hire or retain a broker-dealer, as well as what types of accounts and services are appropriate for their needs. *See* Form CRS Relationship Summary; Amendments to Form ADV, Release Nos. IA-5247 and 34-86032 (June 5, 2019); 84 FR 33492 (July 12, 2019) (“Relationship Summary Adopting Release”).

<sup>18</sup> We believe it is appropriate to distinguish between standalone and dually-registered broker-dealers in assessing the costs and burdens relating to disclosure of capacity, and to distinguish between all small and all large firms in assessing the costs and burdens relating to disclosure of type and scope of services, as reflected in this analysis.

<sup>19</sup> This estimate is based on the following calculation: (7 burden hours per dually-registered firm per year) x (274 dually-registered broker-dealers) = 1,918 ongoing aggregate burden hours.

**annual estimated third-party disclosure ongoing burden for Disclosure of Capacity for Standalone and Dually-Registered BDs of approximately 1,918 hours (IC1).**

*Disclosure of Type and Scope of Services – Small BDs*

To comply with Regulation Best Interest, we believe that broker-dealers will draft standardized language for inclusion in the account disclosure to provide the retail customer with more specific information regarding the type and scope of services that they provide. We expect that the associated costs and burdens will differ between small and large broker-dealers, as large broker-dealers generally offer more products and services and therefore will need to evaluate a larger number of products and services.

Given these assumptions, we estimate that small broker-dealers will incur an internal burden of two hours for in-house compliance and business-line personnel to review and update changes in types or scope of services, and another two burden hours annually for in-house counsel to amend the account disclosure to disclose material changes to type and scope of services—for a total of four burden hours. The estimated ongoing aggregate burden for small broker-dealers to amend account disclosures to reflect changes in type and scope of services is therefore 1,636 hours per year.<sup>20</sup> **These estimates result in a total annual estimated third-party disclosure ongoing burden for Disclosure of Type and Scope of Services for Small BDs of approximately 1,636 hours (IC2).**

*Disclosure of Type and Scope of Services – Large BDs*

Given the broader array of products and services offered, we estimate that large broker-dealers would incur ten burden hours annually for in-house compliance and business-line personnel to review and update changes the type and scope of services, and another ten burden hours annually for in-house counsel to amend the account disclosure to disclose material changes to the type and scope of services, for a total of twenty burden hours. We therefore believe the ongoing, aggregate burden is 35,480 hours per year for large broker-dealers.<sup>21</sup> **These estimates result in a total annual estimated third-party disclosure ongoing burden for Disclosure of Type and Scope of Services for Large BDs of approximately 35,480 hours (IC3).**

*Disclosure of Capacity, Type, and Scope of Services – Delivery of Account Disclosure Document for all BDs*

Broker-dealers deliver Account Disclosure Documents to all new customers. We estimate new investors will open 547,739 new retail accounts each year.<sup>22</sup> We further estimate

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<sup>20</sup> This estimate is based on the following calculation: (4 burden hours per broker-dealer per year) x (409 small broker-dealers) = 1,636 ongoing aggregate burden hours.

<sup>21</sup> This estimate is based on the following calculation: (20 burden hours per broker-dealer per year) x (1,774 large broker-dealers) = 35,480 ongoing aggregate burden hours.

<sup>22</sup> This estimate is based on the estimated annual increase in the US population multiplied by the percentage of the US population with non-retirement investment accounts. See U.S. Census data and “Investors in the United States 2019,” published by the FINRA Investor Education Foundation. The estimate was calculated as follows: 342,336,740 (current population in February 2026) x .5% (estimated annual population

that each broker-dealer will incur an initial one-time burden of approximately 0.02 burden hours<sup>23</sup> for delivery of the account disclosure document.<sup>24</sup> **Accordingly, we estimate that each broker-dealer will deliver the disclosure document to 250.91 retail customer accounts and a total estimated initial burden for Disclosure of Capacity, Type, and Scope of Services relating to the Delivery of the Account Disclosure Document for All BDs of approximately 10,955 hours (IC4).**<sup>25</sup>

If broker-dealers amend the disclosure, they must deliver amended disclosure documents to their customers. Based on FOCUS data, we estimate that the 2,183 broker-dealers that report retail activity have approximately 283 million customer accounts, and that approximately 73.5%, or approximately 208 million, of those accounts belong to retail customers.<sup>26</sup> Accordingly, we estimate that each broker-dealer previously delivered the disclosure to 95,282 retail customer accounts.<sup>27</sup> With respect to delivery of the amended account agreements in the event of material changes to the capacity disclosure or disclosure related to type and scope of services, we estimate that this would take place among 20% of a broker-dealer's retail customer accounts annually. **These estimates result in an annual burden of 381.1 hours per year per broker-dealer and a total annual estimated third-party disclosure ongoing burden for Amended Disclosure of Capacity, Type, and Scope of Services relating to the Delivery of the Account Disclosure Document for All BDs of approximately 832,000 hours (IC5).**<sup>28</sup>

The Commission acknowledges that the types of services and offering of products vary greatly by broker-dealer, and therefore that the costs or burdens associated with updating the account disclosure might similarly vary.

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increase) x 32% (population with non-retirement investment accounts) = 547,738.784, rounded up to 547,739 new non-retirement investment accounts each year.

<sup>23</sup> This is the same estimate the Commission makes in the Relationship Summary Adopting Release. See Relationship Summary Adopting Release. We expect that delivery requirements will be performed by a General Clerk. The General Clerk's time is included in the initial burden estimate.

<sup>24</sup> For new retail customers, we expect delivery to occur at the inception of the relationship; for existing customers, we expect delivery to occur prior to or at the time of a recommendation.

<sup>25</sup> These estimates are based on the following calculations: (547,739 retail customer accounts) / (2,183 broker-dealers) = 250.91 retail customer accounts per broker-dealer, and (547,739 retail customer accounts) x (0.02 hours) = 10,954.78 rounded up to 10,955 aggregate hours.

<sup>26</sup> According to FOCUS Report data as of December 2025, the 2,183 broker-dealers (including dual-registrants) with retail customers report approximately 283 million customer accounts. Assuming the amount of retail customer accounts is proportionate to the percentage of broker-dealers that have retail customers, or 73.5% of broker-dealers, then the number of retail customer accounts would be 73.5% of 283 million accounts = approximately 208 million retail customer accounts. This number may overstate the number of deliveries to be made due to the double-counting of deliveries to be made by dual-registrants to a certain extent, and the fact that one customer may own more than one account.

<sup>27</sup> This estimate is based on the following calculation: (208,000,000 retail customer accounts) / (2,183 broker-dealers) = 95,281.72, rounded up to 95,282 retail customer accounts per broker-dealer.

<sup>28</sup> (20%) x (208,000,000 retail customer accounts) x (0.02 hours for delivery to each customer account) = 832,000 aggregate burden hours. Conversely, 832,000 aggregate burden hours / 2,183 broker-dealers = 381.1 burden hours per broker-dealer.

### *Disclosure of Fees and Costs – Small BDs*

We assume that, for purposes of this analysis, the associated costs and burdens will differ between small and large broker-dealers, as large broker-dealers generally offer more products and services and therefore will need to evaluate a wider range of fees in their fee schedules. We estimate that reviewing and updating the fee schedule will require small broker-dealers to incur approximately two hours for in-house compliance per year. We estimate the recurring, aggregate, annualized burden will be 818 hours for small broker-dealers.<sup>29</sup> **These estimates result in a total annual estimated third-party disclosure burden for Disclosure of Fees and Costs for Small BDs of 818 hours (IC6).**

### *Disclosure of Fees and Costs – Large BDs*

We estimate that the recurring, annual burden for large broker-dealers to review and update the fee schedule will be four hours for in-house compliance for each large broker-dealer. Based on these estimates, we estimate that the recurring, aggregate, annualized burden will be 7,096 hours for large broker-dealers.<sup>30</sup> **These estimates result in a total annual estimated third-party disclosure burden for Disclosure of Fees and Costs for Large BDs of 7,096 hours (IC7).**

### *Disclosure of Fees and Costs – All Broker-Dealers, Delivery of the Initial or Amended Fee Schedule*

Similar to delivery of the account disclosure regarding capacity and type and scope of services, we estimate the burden for broker-dealers to make the initial delivery of the fee schedule to new retail customers, at the beginning of the relationship, will require approximately 0.02 hours to deliver to each retail customer. As stated above, we further estimate that new investors will open 547,739 new retail accounts each year. **Accordingly, we estimate that each broker-dealer will deliver the disclosure document to 250.91 new retail customer accounts each year, and incur a total annual aggregate burden for Disclosure of Fees and Costs relating to Delivery of the Initial Fee Schedule for All BDs of approximately 10,955 hours (IC8).**<sup>31</sup>

With respect to delivery of the amended fee schedule in the event of a material change, we estimate that this would take place among 40% of a broker-dealer's retail customer accounts annually, and that broker-dealers will require approximately 0.02 hours to deliver the amended fee schedule to each retail customer.<sup>32</sup> **We therefore estimate broker-dealers would incur a total ongoing annual aggregate burden for Disclosure of Fees and Costs relating to Delivery**

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<sup>29</sup> This estimate is based on the following calculation: (2 burden hours per broker-dealer) x (409 small broker-dealers) = 818 aggregate burden hours.

<sup>30</sup> This estimate is based on the following calculation: (4 burden hours per broker-dealer) x (1,774 large broker-dealers) = 7,096 aggregate burden hours.

<sup>31</sup> These estimates are based on the following calculations: (547,739 retail customer accounts) / (2,183 broker-dealers) = 250.91 retail customer accounts per broker-dealer, and (547,739 retail customer accounts) x (0.02 hours) = 10,954.78 rounded up to 10,955 aggregate hours.

<sup>32</sup> We expect that delivery requirements will be performed by a General Clerk.

**of the Amended Fee Schedule for All BDs of approximately 1,664,000 hours, or 762.25 hours per broker-dealer (IC9).**<sup>33</sup>

The Commission acknowledges that the type of fee schedule may vary greatly by broker-dealer, and therefore that the costs or burdens associated with updating the standardized fee schedule might similarly vary.

*Disclosure of All Material Facts Relating to Conflicts of Interest—Small Broker-Dealers*

The Disclosure Obligation provides broker-dealers with the flexibility to choose the form and manner of conflict disclosure. However, we believe that many or most broker-dealers will develop a standardized conflict disclosure document and deliver it to their retail customers.<sup>34</sup> For purposes of this analysis, we assume that a standardized conflict disclosure document will be developed by in-house counsel. Additionally, we believe that broker-dealers will incur ongoing annual burdens and costs to update the disclosure document to include newly identified conflicts. We assume for purposes of this analysis that broker-dealers will update their conflict disclosure document annually, after conducting an annual conflicts review. We estimate that the conflicts disclosures will be updated internally by both small and large broker-dealers. We estimate that in-house counsel at a small broker-dealer will require approximately one hour per year to update the standardized conflict disclosure document, for an ongoing aggregate, annual burden of approximately 409 hours.<sup>35</sup> **These estimates result in a total annual estimated third-party disclosure burden for Disclosure of Conflicts of Interest for Small BDs of 409 hours (IC10).**

*Disclosure of All Material Facts Relating to Conflicts of Interest—Large Broker-Dealers*

We expect the development and review of the standardized conflict disclosure document to take longer for large broker-dealers because, as discussed above, we believe large broker-dealers generally offer more products and services and employ more individuals, and therefore will need to disclose a larger number of conflicts. We estimate that the ongoing, annual burden would be two hours for each broker-dealer: one hour for in-house compliance and one hour for in-house legal counsel. We therefore estimate the ongoing, aggregate burden for large broker-dealers to be approximately 3,548 burden hours.<sup>36</sup> **These estimates result in a total annual estimated third-party disclosure burden for Disclosure of Conflicts of Interest for Large BDs of 3,548 hours (IC11).**

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<sup>33</sup> This estimate is based on the following calculation: (40% of 208 million retail customer accounts) x (0.02 hours) = 1,664,000 aggregate burden hours. Conversely, (1,664,000 aggregate burden hours) / (2,183 broker-dealers) = 762.25 burden hours per broker-dealer.

<sup>34</sup> We assume that delivery for new customers will occur at the inception of the relationship, and that delivery for existing customers will occur prior to or at the time a recommendation is made.

<sup>35</sup> This estimate is based on the following calculation: (409 small broker-dealers x 1 hour per year to update = 409 burden hours).

<sup>36</sup> This estimate is based on the following calculation: (2 hours per broker-dealer) x (1,774 large broker-dealers) = 3,548 aggregate burden hours.

*Disclosure of All Material Facts Relating to Conflicts of Interest—All Broker-Dealers, Delivery of Standard Conflict Disclosure*

Similar to delivery of the account disclosure regarding capacity and type and scope of services and delivery of the fee schedule, we estimate the burden for broker-dealers to make the initial delivery of the conflict disclosure document to new retail customers, at the beginning of the relationship, will require approximately 0.02 hours to deliver to each retail customer. As stated above, we further estimate that new investors will open 547,739 new retail accounts each year. **Accordingly, we estimate that each broker-dealer will deliver the disclosure document to 250.91 new retail customer accounts each year, and incur a total annual aggregate burden for Disclosure of All Material Facts relating to Conflicts of Interest for All BDs of approximately 10,955 hours (IC12).**<sup>37</sup>

With respect to ongoing delivery of the updated conflict disclosure document, we estimate that this will take place among 40% of a broker-dealer's retail customer accounts annually, and that broker-dealers will require approximately 0.02 hours to deliver the updated conflict disclosure document to each retail customer.<sup>38</sup> Accordingly, we estimate that each broker-dealer will deliver the disclosure to 38,112.7 retail customer accounts.<sup>39</sup> **We therefore estimate that broker-dealers will incur an ongoing, aggregate annual burden for Disclosure of Conflicts of Interest relating to Delivery of the Conflict Disclosure for All BDs of approximately 1,664,000 hours, or 762.25 burden hours per broker-dealer (IC13).**<sup>40</sup>

**ii. Care Obligation**

Any PRA burdens or costs associated with the Care Obligation are already accounted for under other obligations in Regulation Best Interest, including the Disclosure Obligation, discussed above, and the Record-Making Obligation under Rule 17a-3(a)(35) (OMB No. 3235-0033) and Recordkeeping Obligation under Rule 17a-4(e)(5) (OMB No. 3235-0279), which are discussed in separate Supporting Statements.

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<sup>37</sup> These estimates are based on the following calculations:  $(547,739 \text{ retail customer accounts}) / (2,183 \text{ broker-dealers}) = 250.91 \text{ retail customer accounts per broker-dealer}$ , and  $(547,739 \text{ retail customer accounts}) \times (0.02 \text{ hours}) = 10,954.78$  rounded up to 10,955 aggregate hours.

<sup>38</sup> We expect that delivery requirements will be performed by a General Clerk. The Commission estimates that broker-dealers will update their disclosures of fees and costs and material facts relating to conflicts of interest that are associated with their recommendation more frequently than disclosure related to capacity or type and scope of services.

<sup>39</sup> This estimate is based on the following calculation:  $((208,000,000 \text{ retail customer accounts}) / (2,183 \text{ broker-dealers})) \times .40 = 38,112.7 \text{ retail customer accounts per broker-dealer}$ .

<sup>40</sup> This estimate is based on the following calculation:  $(40\% \text{ of } 208 \text{ million retail customer accounts}) \times (.02 \text{ hours}) = 1,664,000 \text{ aggregate burden hours}$ . Conversely,  $(1,664,000 \text{ aggregate burden hours}) / (2,183 \text{ broker-dealers}) = 762.25 \text{ hours per broker-dealer}$ .

### iii. Conflicts of Interest Obligation - Rule 15l-1(a)(2)(iii)

The Conflicts of Interest Obligation creates an overarching obligation to require broker-dealers<sup>41</sup> to establish written policies and procedures reasonably designed to identify and at a minimum disclose, pursuant to the Disclosure Obligation, or eliminate all conflicts of interest associated with a recommendation. More specifically, broker-dealers are required to establish, maintain, and enforce written policies and procedures reasonably designed to: (1) identify and mitigate any conflicts of interest associated with recommendations that create an incentive for a natural person who is an associated person of a broker or dealer to place the interest of the broker or dealer, or such natural person making the recommendation, ahead of the interest of the retail customer; (2) (a) identify and disclose any material limitations placed on the securities or investment strategies involving securities that may be recommended to a retail customer and any conflicts of interest associated with such limitations, in accordance with the Disclosure Obligation, and (b) prevent such limitations and associated conflicts of interest from causing the broker, dealer, or a natural person who is an associated person of the broker or dealer to make recommendations that place the interest of the broker, dealer, or such natural person ahead of the interest of the retail customer; and (3) identify and eliminate sales contests, bonuses, and non-cash compensation that are based on the sales of specific securities or specific types of securities within a limited period of time.<sup>42</sup>

#### *Written Policies and Procedures - Small Broker-Dealers*

We believe that small broker-dealers will review and update policies and procedures on an annual basis to accommodate the addition of, for example, new products or services, new business lines, and/or new personnel. We also assume that broker-dealers will review and update their policies and procedures for compliance with the Conflicts of Interest Obligation on an annual basis. We assume for purposes of this analysis that small broker-dealers, who generally have fewer and less complex products, and lower rates of hiring and turnover, will primarily rely on outside legal counsel for review and update of their policies and procedures, with final approval from an in-house compliance manager. The use of outside legal counsel would result in a cost burden, which is discussed in Item 13 below. We estimate that small broker-dealers would incur an ongoing burden of approximately 5 hours for an in-house compliance manager to review and approve the updated policies and procedures per year, for an ongoing, aggregate burden for small broker-dealers of 2,045 hours for in-house compliance manager review.<sup>43</sup> **These estimates result in a total annual estimated recordkeeping burden for Conflicts of Interest Obligation: Written Policies and Procedures for Small BDs of 2,045 hours (IC14).**

#### *Written Policies and Procedures - Large Broker-Dealers*

We assume that large broker-dealers will review and update policies and procedures on an annual basis using in-house personnel. We estimate that large broker-dealers, which

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<sup>41</sup> The Conflicts of Interest Obligation and Compliance Obligation apply solely to the broker or dealer entity, and not to the natural persons who are associated persons of a broker or dealer.

<sup>42</sup> Rule 15l-1 under the Exchange Act.

<sup>43</sup> This estimate is based on the following calculation: (5 burden hours per small broker-dealer) x (409 small broker-dealers) = 2,045 aggregate ongoing burden hours

generally have more numerous and complex products and services, and higher rates of hiring and turnover, will incur an annual internal burden of 12 hours to review and update existing policies and procedures: four hours for in-house legal counsel, four hours for in-house compliance, and four hours for business-line personnel to identify new conflicts. We therefore estimate an ongoing, aggregate burden for large broker-dealers of approximately 21,288 hours.<sup>44</sup> **These estimates result in a total annual estimated recordkeeping burden for Conflicts of Interest Obligation: Written Policies and Procedures for Large BDs of 21,288 hours (IC15).**

The Commission acknowledges that policies and procedures may vary greatly by broker-dealer, given the differences in size and the complexity of broker-dealer business models. Accordingly, we expect that the need to update policies and procedures might also vary greatly.

#### *Identification and Management of Conflicts of Interest – All Broker-Dealers*

To maintain compliance with the Conflicts of Interest Obligation, we assume for purposes of this analysis that a broker-dealer will seek to identify additional conflicts of interest as its business evolves. The Commission recognizes that broker-dealers vary in the types of services and product offerings and therefore vary in the types of conflicts of interest that exist within and across broker-dealers. We believe that for purposes of this analysis, broker-dealers will, through the help of the business line and compliance personnel, spend on average 10 hours<sup>45</sup> to perform an annual conflicts review using the modified technology infrastructure.<sup>46</sup> Therefore, the Commission estimates that the aggregate ongoing burden for an annual conflicts review, based on an estimated 2,183 retail broker-dealers, would be approximately 21,830 burden hours per year.<sup>47</sup> **These estimates result in a total annual estimated recordkeeping burden for Identification and Management of Conflicts of Interests for All Broker-Dealers of 21,830 hours (IC16).**

#### **iv. Compliance Obligation- Rule 15l-1(a)(2)(iv)**

The Compliance Obligation requires that the broker-dealer establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest. This Compliance Obligation creates an explicit obligation under the Exchange Act with respect to Regulation Best Interest as a whole. Broker-dealers have flexibility to design policies and procedures that are reasonable for the scope, size and risks

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<sup>44</sup> This estimate is based on the following calculation: (12 burden hours per large broker-dealer) x (1,774 large broker-dealers) = 21,288 aggregate ongoing burden hours.

<sup>45</sup> This burden estimate consists of 5 hours for review by business line personnel, and 5 hours for review by an in-house compliance manager.

<sup>46</sup> FINRA rules set an annual supervisory review as a minimum threshold for broker-dealers. *See, e.g.*, FINRA Rules 3110 (requiring an annual review of the businesses in which the broker-dealer engages); 3120 (requiring an annual report detailing a broker-dealer's system of supervisory controls, including compliance efforts in the areas of antifraud and sales practices); and 3130 (requiring each broker-dealer's CEO or equivalent officer to certify annually to the reasonable design of the policies and procedures for compliance with relevant regulatory requirements).

<sup>47</sup> This estimate is based on the following calculation: (10 hours per retail broker-dealer) x (2,183 retail broker-dealers) = 21,830 aggregate burden hours.

associated with the operations of the firm and the types of business in which the broker-dealer engages.

To comply with the Compliance Obligation, we believe that broker-dealers would employ a combination of in-house and outside legal and compliance counsel to update existing policies and procedures to account for the Disclosure and Care Obligations. We assume that, for purposes of this analysis, the associated costs and burdens would differ between small and large broker-dealers, as large broker-dealers generally offer more products and services and employ more individuals and therefore would need to evaluate and update a greater number of systems. As discussed above, based on FOCUS Report data, we estimate that 1,774 broker-dealers would qualify as large broker-dealers for purposes of this analysis and 409 would qualify as small broker-dealers that have retail business.

#### *Written Policies and Procedures – Small Broker-Dealers*

We assume for purposes of this analysis that small broker-dealers, who generally have fewer and less complex products, and lower rates of hiring and turnover, would mostly rely on outside legal counsel for review and update of their policies and procedures, with final review and approval from an in-house compliance manager. This would result in a cost burden, which is discussed in Item 13 below. We estimate that small broker-dealers would incur an ongoing burden of approximately 5 hours for an in-house compliance manager to review and approve the updated policies and procedures per year, for an ongoing, aggregate burden for small broker-dealers of 2,045 hours for in-house compliance manager review.<sup>48</sup> **These estimates result in a total annual estimated recordkeeping burden for the Compliance Obligation: Written Policies and Procedures for Small Broker-Dealers of 2,045 (IC17).**

#### *Written Policies and Procedures - Large Broker-Dealers*

We estimate that large broker-dealers would incur ongoing hourly burdens to review and update their written policies and procedures. For large broker-dealers with more numerous and complex products and services, as well as higher rates of hiring and turnover, we estimate that each broker-dealer would annually incur an internal burden of 12 hours to review and update existing policies and procedures: four hours for legal personnel, four hours for compliance personnel, and four hours for business-line personnel. We therefore estimate an ongoing, aggregate burden for large broker-dealers of approximately 21,288 hours per year.<sup>49</sup> **These estimates result in a total annual estimated recordkeeping burden for the Compliance Obligation: Written Policies and Procedures for Large Broker-Dealers of 21,288 (IC18).**

#### *Training – Implement Training, All Broker-Dealers*

We believe that broker-dealers would likely use a computerized training module to train their associated persons regarding the policies and procedures pertaining to Regulation Best

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<sup>48</sup> This estimate is based on the following calculation: (5 burden hours per small broker-dealer) x (409 small broker-dealers) = 2,045 aggregate ongoing burden hours.

<sup>49</sup> This estimate is based on the following calculation: (12 burden hours per large broker-dealer) x (1,774 large broker-dealers) = 21,288 aggregate ongoing burden hours.

Interest. We believe that, as a matter of best practice, broker-dealers would likely require registered representatives to repeat the training module for Regulation Best Interest on an annual basis. We estimate broker-dealers would incur a burden of one hour per associated person undergoing training through the training module. The ongoing aggregate burden relating to the one-hour training would be 627,639 burden hours per year, or 287.5 burden hours per broker-dealer per year.<sup>50</sup> **These estimates result in a total annual estimated recordkeeping burden for implementing a Training Module for All Broker-Dealers of 627,639 hours (IC19).**

**TOTAL:** Based on the estimates discussed above, the total annual estimated hour burden for the collections of information in Regulation Best Interest is **4,939,905.**

Summary of Hourly Burdens									
IC	Name of Information Collection	Number of Entities Impacted	Small Business Entities Affected	Type of Burden	Ongoing or Initial Burden	Annual Responses per Entity	Burden per Entity per Response	Annual Burden Per Entity	Annual Industry Burden
<b>Disclosure Obligation (Rule 15l-1(a)(2)(i))</b> <b>(1) Disclosure of Capacity, Type, and Scope of Services</b>									
1	Dually-registered BDs (Disclosure of Capacity)	274	65	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	7	7	1,918
2	Small BDs (Disclosure of Type & Scope of Services)	409	409	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	4	4	1,636
3	Large BDs (Disclosure of Type & Scope of Services)	1774	0	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	20	20	35,480
4	All BDs (Delivery of the Account Disclosure Document)	2183	409	3 <sup>rd</sup> -Party Disclosure	Initial One-Time	250.91	.02	5.02	10,955
5	All BDs (Delivery of the Amended Account Disclosure Document)	2183	409	3 <sup>rd</sup> -Party Disclosure	Ongoing	19,056	.02	381.1	832,000

<sup>50</sup> This estimate is based on the following calculation: (1 burden hour) x (627,639 registered representatives at standalone or dually-registered broker-dealers) = 627,639 burden hours. Conversely, (627,639 aggregate burden hours) / (2,183 retail broker-dealers) = 287.51, rounded down to 287.5 initial burden hours per broker-dealer.

<b>Disclosure Obligation (Rule 15l-1(a)(2)(i)) (2) Disclosure of Fees and Costs</b>									
6	Small BDs (Disclosure of Fees and Costs)	409	409	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	2	2	818
7	Large BDs (Disclosure of Fees and Costs)	1774	0	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	4	4	7,096
8	All BDs (Delivery of the Fee Schedule)	2183	409	3 <sup>rd</sup> -Party Disclosure	Initial One-Time	250.91	.02	5.02	10,955
9	All BDs (Delivery of the Fee Schedule)	2183	409	3 <sup>rd</sup> -Party Disclosure	Ongoing	38,112.69	.02	762.25	1,664,000
<b>Disclosure Obligation (15l-1(a)(2)(i)) (3) Disclosure of Conflicts of Interest</b>									
10	Small BDs (Disclosure of Conflicts of Interest)	409	409	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	1	1	409
11	Large BDs (Disclosure of Conflicts of Interest)	1774	0	3 <sup>rd</sup> -Party Disclosure	Ongoing	1	2	2	3,548
12	All BDs (Delivery of the Conflict Disclosure)	2183	409	3 <sup>rd</sup> -Party Disclosure	Initial One-Time	250.91	0.02	5.02	10,955
13	All BDs (Delivery of the Conflict Disclosure)	2183	409	3 <sup>rd</sup> -Party Disclosure	Ongoing	38,112.69	.02	762.25	1,664,000
<b>Conflicts of Interest Obligation (15l-1(a)(2)(iii)) (1) Written Policies and Procedures</b>									
14	Small BDs	409	409	Recordkeeping	Ongoing	1	5	5	2,045
15	Large BDs	1774	0	Recordkeeping	Ongoing	1	12	12	21,288

<b>Conflicts of Interest Obligation (15I-1(a)(2)(iii))</b>									
<b>(2) Identification and Management of Conflicts of Interest</b>									
16	All BDs	2183	409	Recordkeeping	Ongoing	1	10	10	21,830
<b>Compliance Obligation (15I-1(a)(2)(iv))</b>									
<b>(1) Written Policies &amp; Procedures</b>									
17	Small BDs	409	409	Recordkeeping	Ongoing	1	5	5	2,045
18	Large BDs	1774	0	Recordkeeping	Ongoing	1	12	12	21,288
<b>Compliance Obligation (15I-1(a)(2)(iv))</b>									
<b>(1) Training</b>									
<b>(b) Implement Training</b>									
19	All BDs	2183	409	Recordkeeping	Ongoing	1	1	287.5	627,639
<b>TOTAL ANNUAL BURDEN FOR ALL RESPONDENTS:</b>									<b>4,939,905</b>

### 13. Costs to Respondents<sup>51</sup>

As discussed in Item 12, the Commission believes that most information collections required by Regulation Best Interest will be performed by broker-dealers' in-house personnel, as in-house personnel are more knowledgeable about a broker-dealer's operations than outside parties. For example, we estimate there will be no ongoing costs for broker-dealers to disclose capacity, changes in the type and scope of services offered by a broker-dealer, changes in a

<sup>51</sup> For purposes of calculating the dollar cost burdens associated with broker-dealers' compliance with Regulation Best Interest, the Commission relies on the Occupational Employment and Wage Statistics ("OEWS") from the U.S. Bureau of Labor Statistics ("BLS"). See *Occupational Employment and Wage Statistics*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/oes/>; see also *Standard Occupational Classification*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/soc/> (describing occupational classification system used by BLS); EXEC. OFF. OF THE PRESIDENT, OFF. OF MGMT. & BUDGET, NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (2022), available at [https://www.census.gov/naics/reference\\_files\\_tools/2022\\_NAICS\\_Manual.pdf](https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf) (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. See *Employment Cost Index*, U.S. BUREAU OF LABOR STATISTICS, <https://www.bls.gov/eci/>. The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis's annual gross output data for the North American Industry Classification System ("NAICS") number to total annual wages across all occupations for the NAICS number in the OEWS data.

broker-dealer’s standardized fee schedule, or changes in a broker-dealer’s standardized conflict disclosure document (i.e., the Disclosure Obligation).

However, as discussed in Item 12, we expect small broker-dealers to incur dollar cost burdens in connection with their obligations under the Conflicts of Interest Obligation and Compliance Obligation. Specifically, to comply with the Conflicts of Interest Obligation we expect that small broker-dealers will rely on outside legal counsel to update existing written policies and procedures, as small broker-dealers generally have fewer in-house legal and compliance personnel. We estimate that outside legal counsel would require approximately five hours per year to update policies and procedures, for an aggregate annual ongoing cost of \$1,018,410 for all small broker-dealers and \$2,490 per broker-dealer.<sup>52</sup> In addition, to comply with the Compliance Obligation we expect that small broker-dealers will rely on outside legal counsel to update existing written policies and procedures, as small broker-dealers generally have fewer in-house legal and compliance personnel. We estimate that outside legal counsel would require approximately five hours per year to update policies and procedures, for an aggregate annual ongoing cost of \$1,018,410 for all small broker-dealers, or \$2,490 per broker-dealer.<sup>53</sup>

**TOTAL: Based on the estimates discussed above, the total annual estimated cost burden for the collections of information in Regulation Best Interest is \$2,036,820.**

Summary of Cost Burdens									
IC	Name of Information Collection	Number of Entities Impacted	Small Business Entities Affected	Type of Burden	Ongoing or Initial Burden	Annual Responses per Entity	Burden per Entity per Response	Annual Burden Per Entity	Annual Industry Burden
<b>Conflicts of Interest Obligation (15/-1(a)(2)(iii))</b> <b>(1) Written Policies &amp; Procedures</b>									
14	Small BDs	409	409	Record keeping	Ongoing	1	\$2,490	\$2,490	\$1,018,410
<b>Compliance Obligation (15/-1(a)(2)(iv))</b> <b>(1) Written Policies and Procedures</b>									
17	Small BDs	409	409	Record keeping	Ongoing	1	\$2,490	\$2,490	\$1,018,410
<b>TOTAL COST FOR ALL RESPONDENTS:</b>									<b>\$2,036,820</b>

<sup>52</sup> We believe that performance of this function will be performed by an outside Lawyer. Based on the occupational mean hourly wage data from the OEWS program of BLS, the Commission estimates that the cost for an outside Lawyer is \$498 per hour. Therefore, the projected annual cost for outside legal counsel to update policies and procedures for a small broker-dealers would be \$2,490 per broker-dealer (5 hours x \$498 per hour) for an aggregate cost for all small broker-dealers of \$1,018,410 (\$2,490 per broker-dealer x 409 small broker-dealers).

<sup>53</sup> We believe that performance of this function will be performed by an outside Lawyer. Based on the occupational mean hourly wage data from the OEWS program of BLS, the Commission estimates that the cost for an outside Lawyer is \$498 per hour. Therefore, the projected annual cost for outside legal counsel to update policies and procedures for a small broker-dealers would be \$2,490 per broker-dealer (5 hours x \$498 per hour) for an aggregate cost for all small broker-dealers of \$1,018,410 (\$2,490 per broker-dealer x 409 small broker-dealers).

#### **14. Costs to Federal Government**

Regulation Best Interest does not require that any information be submitted to the Federal government, and thus no costs to the Federal government are imposed by the rule's requirement that broker-dealers disclose information to their customers.

#### **15. Changes in Burden**

The Commission has updated its previous burden and costs estimates to reflect: (1) changes in the number of broker-dealers since the last estimate (e.g., the number of small BDs went down from 733 to 409, the number of large BDs went down from 1,950 to 1,774, and the number of dually-registered BDs went down from 546 to 274); (2) an increase in the number of new retail investor accounts from 532,576 to 547,739; and (3) changes in costs of certain services since the last estimate (e.g., the cost of legal counsel went down from \$518 per hour to \$498 per hour based on a change to the occupation performing that service).

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

Not applicable. The information 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.