

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form CRS and Rule 17a-14 under the Securities Exchange Act of 1934

A. JUSTIFICATION

1. Necessity for the Information Collection

On June 5, 2019, the Securities and Exchange Commission (“Commission”) adopted Form CRS and Rule 17a-14 under the Securities Exchange Act of 1934.¹ Rule 17a-14 under the Exchange Act [17 CFR 240.17a-14] and Form CRS [17 CFR 249.640] require 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. The relationship summary can 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.

Rule 17a-14 and Form CRS contain a collection of information requirement. The collection is necessary to provide broker-dealer retail customers, prospective retail customers, and the Commission with information about the relationships and services the firm offers to retail investors, fees and costs that the retail investor will pay, specific conflicts of interest and standards of conduct, legal or disciplinary history, and how to obtain additional information about the firm. The Commission uses the information to manage its regulatory and examination programs. Retail investors can use the information required in the relationship summary to determine whether to hire or retain a broker-dealer, as well as what types of accounts and services are appropriate for their needs.

¹ Form CRS Relationship Summary; Amendments to Form ADV, Release Nos. IA-5247; 34-86032 (June 5, 2019) [84 FR 33492 (Jul. 12, 2019)]. The amendments to Form ADV were proposed in Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on use of Certain Names or Titles, Investment Advisers Act Release No. 4888. Exchange Act Release No. 83063 (Apr. 18, 2018) [83 FR 23848 (May 23, 2018)].

Form CRS and Rule 17a-14 contain a “collection of information” within the meaning of the Paperwork Reduction Act of 1995 (“Paperwork Reduction Act”), and the Commission submitted the collection of information to the Office of Management and Budget (“OMB”) for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. The title for the collection of information is: Form CRS and Rule 17a-14 under the Exchange Act. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. This collection of information can be found at 17 CFR 240.17a-14 and 17 CFR 249.640 and is mandatory. Responses will not be kept confidential. The respondents are broker-dealers registered with the Commission that offer services to retail investors.

2. Purpose and Use of the Information Collection

The purpose of Form CRS is to assist retail investors in making an informed choice when choosing an investment firm and professional, and type of account. Retail investors can use the information required in Form CRS to determine whether to hire or retain a broker-dealer, as well as what types of accounts and services are appropriate for their needs. The Commission uses the information to manage its regulatory and examination programs. The collection of information is necessary to provide broker-dealers’ customers, prospective customers, and the Commission with information about broker-dealers and their business, conflicts of interest and personnel.

3. Consideration Given to Information Technology

The information collected pursuant to Form CRS requires disclosures made by broker-dealers to their customers and prospective customers that are retail investors and reporting to the Commission. Broker-dealers file their Forms CRS electronically through WebCRD. Dual registrants file through both the Investment Adviser Registration Depository (“IARD”) and WebCRD. The Commission required IARD and WebCRD because they are familiar filing systems for investment advisers and broker-dealers. Investment advisers registered with the Commission

file Form ADV on IARD. Many broker-dealers already use WebCRD for filing their own registration records and those of their associated persons, and retail investors already can find broker-dealers' disciplinary history and other information on BrokerCheck. By having firms file the relationship summaries with the Commission, the Commission can more easily monitor the filings for compliance with Form CRS. This approach helps ensure a complete and consistent filing record for each firm and facilitates the Commission's data analysis, examinations, and other regulatory efforts.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication, and reevaluates them whenever it adopts changes in its rules. Broker-dealers are subject to other disclosure requirements under the federal securities laws and rules of self-regulatory organizations ("SROs").² The relationship summary provides in one place, for the first time, summary information about the services, fees, conflicts, and disciplinary history for broker-dealers. We believe that requiring broker-dealers to provide this type of disclosure at the time retail investors are newly selecting or deciding whether to stay with a firm, financial professional, or type of investment account, is necessary to helping retail investors make decisions that meet their needs and expectations.

² Broker-dealers register with and report information to the Commission, the SROs, and other jurisdictions through Form BD. Form BD requires information about the background of the applicant, its principals, controlling persons, and employees, as well as information about the type of business the broker-dealer proposes to engage in and all control affiliates engaged in the securities or investment advisory business. Broker-dealers report whether a broker-dealer or any of its control affiliates have been subject to criminal prosecutions, regulatory actions, or civil actions in connection with any investment-related activity, as well as certain financial matters. Once a broker-dealer is registered, it must keep its Form BD current by amending it promptly when the information is or becomes inaccurate for any reason. In addition, firms report similar information and additional information to FINRA pursuant to FINRA Rule 4530. In addition, under existing antifraud provisions of the Exchange Act, a broker-dealer has a duty to disclose material information to its customers conditional on the scope of the relationship with the customer.

5. Effect on Small Entities

The disclosure requirements under Form CRS and Rule 17a-14 do not distinguish between small entities and other broker-dealers. We recognize that different firms may require different amounts of time or external assistance in preparing the relationship summary. The Commission believes, however, that imposing different requirements on smaller firms would not be consistent with investor protection and the purposes of the relationship summary. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

6. Consequences of Not Conducting Collection

The collection of information required by the form is necessary to protect investors and deter potentially misleading sales practices by providing customers and prospective customers, as well as the Commission, with information about broker-dealers, the services they offer to retail investors, applicable standard of conduct, fees, and conflict of interests. Providing this information before or at the time a retail investor first engages a broker-dealer's services, as well as at certain points during the relationship (*e.g.*, switching or adding account types), helps retail investors to make more informed choices among the types of firms and services available to them. The consequences of not collecting this information include customers and prospective customers who are retail investors not having the information they need to evaluate a broker-dealer's practices and determine whether to hire and/or fire a broker-dealer and manage the relationship. In addition, if the information is either not collected or is collected less frequently, the Commission's ability to protect investors would be reduced.

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

Not Applicable.

8. Consultation with Persons 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

Not Applicable.

10. Confidentiality

Not Applicable.

11. Sensitive Questions

Rule 17a-14 under the Exchange Act and Form CRS require a broker-dealer that offers services to retail investors to prepare and file a relationship summary. The relationship summary includes information about the relationships and services the firm offers to retail investors, fees and costs that the retail investor will pay, specific conflicts of interest and standards of conduct, legal or disciplinary history, and how to obtain additional information about the firm. Personally identifiable information is not collected under this rule and form. This collection does not require a PIA or a SORN.

12. Time Burden of Information Collection

Based on staff experience, we estimate the total annual collection of information burden for Rule 17a-14 in connection with obligations relating to the relationship summary, including: (i) initial preparation, filing and posting to a website by newly registered broker-dealers; (ii) delivery of the relationship summary to existing, new and prospective customers; (iii) amendments to the relationship summary for material updates and related filing and website posting burdens; and (iv) communicating amendments of the relationship summaries to customers. Given these requirements, we estimate the total annual aggregate hour burden to be approximately 6,098,916 hours per year, or 2,392 hours on a per broker-dealer basis.³ The aggregate annual internal cost of

³ 1,863 hours for initial preparation, filing and posting of the relationship summary by newly registered broker-dealers + 595,080 hours for delivery to new and prospective customers + 915,508 hours for additional delivery to existing customers + 7,650 hours per year for amendments, filing, and posting of amendments +

compliance associated with this information collection is approximately \$441,992,124, or \$173,330 per broker-dealer per year.⁴ These data are based on FOCUS Reports as of December 2021.

The respondents to this information collection are the broker-dealers registered with the Commission that offer services to retail investors who are required to prepare, file, and deliver a relationship summary in accordance with Rule 17a-14. Based on FOCUS Reports as of December 2021, there are 2,550 broker-dealers registered with the Commission that reported sales to retail customer investors,⁵ and therefore likely are required to prepare and deliver the relationship summary.⁶

i. Initial Preparation, Filing, and Posting of Relationship Summary by newly registered broker-dealers

Based on FOCUS Reports as of December 2021, we estimate that over the next three years there will be approximately 138 newly registered broker-dealers that offer services to retail investors that would be required to prepare and deliver the relationship summary. We estimate that the initial first year burden for preparing and filing the relationship summary will be 40 hours per newly registered broker-dealer. We also estimate that each newly registered broker-dealer will incur 0.5

4,578,815 hours for delivery of amendments = 6,098,916 total annual aggregate hours. 6,098,916 hours / 2,550 broker-dealers = 2,392 hours per broker-dealer. See Table 1: Summary of Annual Responses, Burden Hours, and Burden Hour Costs Estimates for Form CRS Information Collection.

⁴ \$1,754,808 for initial preparation, filing and posting of the relationship summary by newly registered broker-dealers + \$42,845,760 for delivery to new and prospective customers + \$65,916,576 for additional delivery to existing customers + \$1,800,300 per year for amendments, filing, and posting of amendments + \$329,674,680 for delivery of amendments = \$441,992,124 total annual aggregate hours. \$441,992,124 / 2,550 broker-dealers = \$173,330 per broker-dealer.

⁵ Retail sales activity is identified from Form BR, which categorizes retail activity broadly (by marking the “sales” box) or narrowly (by marking the “retail” or “institutional” boxes as types of sales activity). We use the broad definition of sales as we believe that many firms will just mark “sales” if they have both retail and institutional activity. However, this may capture some broker-dealers that do not have retail activity, although we are unable to estimate that frequency.

⁶ For purposes of Form CRS, a “retail investor” is defined as a natural person, or the legal representative of such natural person, who seeks to receive or receives services primarily for personal, family or household purposes.

hours to prepare the relationship summary for posting to its website, if it has one, such as to ensure proper electronic formatting, and to perform the actual posting.

Given these assumptions, we estimate the total one-time initial hour burden for newly registered broker-dealers to prepare the relationship summary and file it with the Commission will be 5,520 hours,⁷ at a monetized internal cost of compliance of \$1,749,840.⁸ We estimate that the initial burden of posting the relationship summary to their websites, if they have one, will be 69 hours,⁹ at a monetized internal cost of compliance of \$4,968.¹⁰ Therefore, the aggregate one-time hour burden for registered broker-dealers to prepare, file, and post a relationship summary to their website, if they have one, will be 5,589 hours or 40.5 hours per newly registered broker-dealer,¹¹ at an annual monetized internal cost of compliance of \$1,754,808, or \$12,716 per newly registered broker-dealer.¹² To arrive at an annual burden for preparing, filing, and posting the relationship summary the initial burden will be amortized over a three-year period. Therefore, the total annual aggregate hour burden for newly registered broker-dealers to prepare, file, and post a relationship

⁷ 138 newly registered broker-dealers x 40 hours = 5,520 total hours to prepare and file the relationship summary.

⁸ We expect that performance of this function will most likely be equally allocated between a senior compliance examiner and a compliance manager. Based on data from the Securities Industry Financial Markets Association's Management & Professional Earnings in the Securities Industry 2013 ("SIFMA Management and Professional Earnings Report"), modified in 2022 by Commission staff to account for, among other things, inflation, we expect that the costs for these positions are \$275 and \$359 per hour, respectively. (0.5 x 5,520 hours x \$275) + (0.5 x 5,520 hours x \$359) = \$1,749,840.

⁹ 0.5 hours x 138 newly registered broker-dealers = 69 hours to post the relationship summary to the website.

¹⁰ We expect that performance of this function will most likely be performed by a general clerk. Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that the cost for this position is \$72 per hour. 69 hours x \$72 = \$4,968 total aggregate monetized cost.

¹¹ 5,520 hours for preparing and filing + 69 hours for posting = 5,589 hours aggregate annual burden to prepare, file, and post the relationship summary. 5,589 hours / 138 newly registered broker-dealers = 40.5 hours annually per newly registered broker-dealer.

¹² \$1,749,840 total initial aggregate monetized cost for preparation and filing + \$4,968 for posting to the website = \$1,754,808 total annual monetized cost for preparation, filing and posting the relationship summary. \$1,754,808 / 138 newly registered broker-dealers subject to relationship summary obligations = \$12,716 per newly registered broker-dealer.

summary to their website, if they have one, will be approximately 1,863 hours per year ($5,589 \div 3$) or 13.5 hours per year ($40.5 \div 3$) per newly registered broker-dealer.

ii. Delivery of the Relationship Summary

a. Delivery to New or Prospective New Customers

Rule 17a-14 under the Exchange Act requires a broker-dealer to deliver the relationship summary, with respect to a retail investor that is a new or prospective customer, before or at the earliest of: (i) a recommendation of an account type, a securities transaction or an investment strategy involving securities; (ii) placing an order for the retail investor; or (iii) the opening of a brokerage account for the retail investor. Also with respect to existing customers, broker-dealers must deliver the most recent relationship summary before or at the time of: (i) opening a new account that is different from the retail investor's existing account(s); (ii) recommending that the retail investor roll over assets from a retirement account into a new or existing account or investment; or (iii) recommending or providing a new brokerage or investment advisory service or investment that does not necessarily involve the opening of a new account and would not be held in the existing account. Broker-dealers are also required to post a current version of the relationship summary prominently on their public websites (if they have one), and are required to communicate any changes in an amended relationship summary to retail investors who are existing clients or customers within 60 days after the amendments are required to be made and without charge. Broker-dealers also must deliver a current relationship summary to each retail investor within 30 days upon request. Broker-dealers must make available a copy of the relationship summary upon request without charge, and where a relationship summary is delivered in paper format, the broker-dealer may link to additional information by including URL addresses, QR codes, or other means of facilitating access to such information. Broker-dealers must also include a telephone number where retail investors can request up-to-date information and request a copy of the relationship summary.

To estimate the delivery burden for broker-dealers' new or prospective new customers and new accounts opened for existing customers, as discussed above, we estimate that the 2,550 broker-dealers with retail activity have approximately 228,877,000 retail customer accounts.¹³ Based on FOCUS Reports as of December 2021, we estimate that broker-dealers grow their customer base and enter into on average, 13% more new accounts with retail investors each year.¹⁴ We estimate the hour burden for initial delivery of a relationship summary will be the same by paper or electronic format, at 0.02 hours for each relationship summary. Therefore, the aggregate annual hour burden for initial delivery of the relationship summary by broker-dealers to new or prospective new customers will be 595,080 hours, or approximately 233.4 hours per year per broker-dealer,¹⁵ at a monetized internal cost of compliance of \$42,845,760 at an aggregate level, or \$16,802 per broker-dealer.¹⁶

b. Additional Delivery to Existing Customers

Broker-dealers are also required to deliver the relationship summary to existing customers before or at the time the broker-dealer: (i) recommends that the retail investor roll over assets from a retirement account into a new or existing account or investment, or (ii) recommends or provides a new brokerage or investment advisory service or investment that does not necessarily

¹³ FOCUS Reports as of December 2021.

¹⁴ This represents the average annual rate of growth from 2017-2021 in the number of accounts for all broker-dealers reporting retail activity.

¹⁵ 228,877,000 customer accounts x 13% increase = 29,754,010 new customers. 29,754,010 new customers x 0.02 hours per delivery = 595,080 total annual aggregate hours. 595,080 / 2,550 broker-dealers = 233.364706 rounded up to 233.4 hours per broker-dealer for delivery to new customers.

¹⁶ We expect that these functions will most likely be performed by a general clerk. Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that the cost for this position is \$72 per hour. 595,080 hours x \$72 = \$42,845,760. \$42,845,760 / 2,550 broker-dealers = \$16,802 per broker-dealer for delivery to new customers. We estimate that broker-dealers will not incur any incremental postage costs to deliver the relationship summary to new or prospective customers because we estimate that broker-dealers will make the delivery along with other documentation, such as periodic account statements.

involve the opening of a new account and would not be held in the existing account.

With respect to delivery of the relationship summary in these types of situations, we estimate that this would take place among 10% of a broker-dealer's retail investors annually (10% of 228,877,000). We estimate the hour burden for the delivery of a relationship summary in these types of situations will be 0.04 hours for each relationship summary. We therefore estimate broker-dealers will incur a total annual aggregate burden of 915,508 hours, or approximately 359 hours per broker-dealer,¹⁷ at an annual aggregate monetized internal cost of compliance of \$65,916,576, or approximately \$25,850 per broker-dealer.¹⁸

iii. Amendments to the Relationship Summary and Filing and Posting of Amendments

We do not expect broker-dealers to amend their relationship summaries frequently. We believe that many broker-dealers, as a matter of best practice, will update their relationship summary up to once a year, after conducting an annual supervisory review, for example.¹⁹ We also estimate that on average, each broker-dealer preparing a relationship summary may amend the disclosure once more during the year, due to emerging issues. Therefore, we assume that broker-

¹⁷ 10% of 228,877,000 customer accounts x 0.04 hours = 915,508 hours. 915,508 hours / 2,550 broker-dealers = 359.022745 rounded down to 359 hours per broker-dealer.

¹⁸ Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that delivery requirements of Rule 17a-14 will most likely be performed by a general clerk at an estimated cost of \$72 per hour. 915,508 hours x \$72 = \$65,916,576. \$65,916,576 / 2,550 broker-dealers = \$25,850 per broker-dealer. We estimate that broker-dealers will not incur any incremental postage costs in these deliveries of the relationship summary to existing customers, because we estimate that broker-dealers will make such deliveries with another mailing the broker-dealer was already delivering to clients, such as periodic account statements, or new account agreements and other similar documentation.

¹⁹ FINRA rules set an annual supervisory review as a minimum threshold for broker-dealers, for example in 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).

dealers will update their relationship summary, on average, twice a year, and we estimate that broker-dealers will require 1.0 hours to amend and file the updated relationship summary. We also estimate that broker-dealers will require 0.5 hours to post the amended relationship summary to their website. Thus, we estimate that broker-dealers would incur a total annual aggregate hourly burden of 5,100 hours per year to prepare and file amendments, and 2,550 hours per year to post to their websites an estimated total of 5,100 amendments per year (2,550 broker-dealers x 2).²⁰ Therefore, the total annual aggregate hour burden for registered broker-dealers to prepare, file, and post amendments to a relationship summary to their website, if they have one, will be approximately 7,650 hours per year, or approximately 3 hours per year per broker-dealer.²¹ We therefore estimate that for making and filing amendments to their relationship summaries, broker-dealers will incur an annual aggregate monetized internal compliance cost of \$1,616,700, or approximately \$634 per broker-dealer to prepare and file amendments,²² and an annual aggregate monetized internal compliance cost of \$183,600, or approximately \$72 per broker-dealer to post the amendments.²³ In total, the aggregate annual monetized internal compliance cost for broker-dealers to make, file, and post amendments will be \$1,800,300, or approximately \$706 per broker

²⁰ 2,550 broker-dealers amending relationship summaries x 2 amendments per year = 5,100 amendments per year. 5,100 amendments x 1 hour to amend and file = 5,100 hours. 2,550 broker-dealers x (0.5 hours to post amendments to website x 2 amendments a year) = 2,550 hours.

²¹ 5,100 hours per year to prepare and file amendments + 2,550 hours per year to post to their websites = 7,650 hours to prepare, file and post amendments per year. $7,650 \div 2,550 = 3$.

²² We believe that amending and filing relationship summaries will most likely be equally allocated between a senior compliance examiner and a compliance manager. Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that the costs for these positions are \$275 and \$359 per hour, respectively. $(5,100 \text{ hours} \times 50\% \times \$275) + (5,100 \text{ hours} \times 50\% \times \$359) = \$1,616,700$. $\$1,616,700 / 2,550 \text{ broker-dealers} = \$634 \text{ per broker-dealer}$.

²³ Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that the posting will most likely be performed by a general clerk at an estimated cost of \$72 per hour. $2,550 \text{ aggregate hours to post amendment} \times \$72 = \$183,600$. $\$183,600 / 2,550 \text{ broker-dealers} = \$72 \text{ in annual monetized costs}$.

dealer.²⁴

iv. Communicating Changes to Amended Relationship Summaries to Customers, Including by Delivery

Broker-dealers are required to amend their relationship summaries within 30 days when any of the information becomes materially inaccurate. They must also communicate any changes in any new version of the relationship summary to retail investors who are existing customers of the firm within 60 days after the updates are required to be made and without charge. The communication can be made by delivering the relationship summary or by communicating the information through another disclosure to the retail investor.

Consistent with our discussion on broker-dealers' amendments to the relationship summary we are assuming that broker-dealers with relationship summaries will amend them twice each year. We also assume that 50% will choose to deliver the relationship summary to communicate the updated information. We believe that it is likely that the other 50% of broker-dealers will incorporate all of the updated information in other disclosures, which they are already obligated to deliver in order to avoid having to deliver two documents. We estimate that broker-dealers will require 0.02 hours to make a delivery to each customer. Therefore, the estimated total annual burden for those broker-dealers choosing to deliver an amended relationship summary to meet this communication requirement will be approximately 4,577,540 hours per year, or approximately 1,795 hours per broker-dealer,²⁵ translating into a monetized internal compliance cost of \$329,582,880 in aggregate, or \$129,248 per broker-dealer.²⁶ We also estimate that broker dealers

²⁴ \$1,616,700 to prepare and file amendment + \$183,600 to post the amendments = \$1,800,300. \$1,800,300 / 2,550 broker-dealers = \$706 per broker-dealer.

²⁵ 2 amendments per year x 228,877,000 customer accounts x 50% delivering the amended relationship summary to communicate updated information = 228,877,000 deliveries. 228,877,000 deliveries x 0.02 hours per delivery = 4,577,540 hours to deliver amended relationship summaries. 4,577,540 hours / 2,550 broker-dealers = 1,795.11373 rounded down to 1,795 hours per broker-dealer.

²⁶ Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by

with relationship summary obligations will incur 0.5 hours each annually to make copies of the relationship summary available upon request. Where a relationship summary is delivered in paper format, firms may link to additional information by including URL addresses, QR codes, or other means of facilitating access to such information. Therefore, the estimated total annual burden for these brokers will be 1,275 aggregate burden hours, with a monetized aggregate monetized internal cost of compliance of \$91,800 or \$36 per broker-dealer.²⁷ We therefore estimate that for communicating changes to amended relationship summaries including by delivery, broker-dealers will incur an annual aggregate hour burden of approximately 4,578,815 hours per year, or approximately 1,796 hours per year per broker-dealer,²⁸ translating into a monetized internal cost of compliance of \$329,674,680 in aggregate, or \$129,284 per broker-dealer.²⁹

Commission staff to account for, among other things, inflation, we expect that delivery requirements of Rule 17a-14 will most likely be performed by a general clerk at an estimated cost of \$72 per hour. $4,577,540 \text{ hours} \times \$72 = \$329,582,880$. $\$329,582,880 / 2,550 \text{ broker-dealers} = \$129,248 \text{ per broker-dealer}$. We estimate that broker-dealers will not incur any incremental postage costs to deliver these relationship summaries, because we estimate that advisers will make the delivery along with other documentation they normally would provide, such as account opening documents.

²⁷ 0.5 hours to make copies of the relationship summary available upon request x 2,550 broker-dealers with relationship summary obligations = 1,275 hours. Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that the requirement for broker-dealers to make paper copies of the relationship summary available upon request will most likely be performed by a general clerk at an estimated cost of \$72 per hour. $1,275 \text{ hours} \times \$72 = \$91,800$. $\$91,800 / 2,550 \text{ broker-dealers} = \$36 \text{ in monetized costs per broker-dealer}$.

²⁸ $4,577,540 \text{ hours} + 1,275 \text{ hours} = 4,578,815 \text{ aggregate burden hours communicating amended relationship summaries}$. $4,578,815 / 2,550 \text{ broker-dealers} = 1,795.61373$ rounded up to 1,796 hour per broker-dealer.

²⁹ $\$329,582,880 + \$91,800 = \$329,674,680 \text{ communicating amended relationship summaries}$. $\$329,674,680 / 2,550 \text{ broker-dealers} = \$129,284 \text{ per broker-dealer}$.

**Table 1: Summary of Annual Burden Hours for Form CRS and
Exchange Act Rule 17a-14 Information Collection (“IC”)**

| IC | Description of Parts of IC | Annual No. of Respondents | Annual Time Burden Per Respondent (Hrs.) | Total Annual Time Burden (Hrs.) |
|--------------|---|----------------------------------|---|--|
| IC1 | Initial Preparation, Filing, and Posting of the Relationship Summary by Newly Registered Broker-Dealers | 138 | 13.5 | 1,863 |
| IC1 | Third Party Disclosure (Delivery of the Relationship Summary to New Customers or Prospective New Customers) | 2,550 | 233.364706 | 595,080 |
| IC1 | Third Party Disclosure (Additional Delivery to Existing Customers) | 2,550 | 359.022745 | 915,508 |
| IC1 | Amendments to the Relationship Summary and Filing and Posting of Amendments | 2,550 | 3 | 7,650 |
| IC1 | Third Party Disclosure (Communicating Changes to Amended Relationship Summaries, Including by Delivery) | 2,550 | 1,795.61373 | 4,578,815 |
| Total for IC | | | | 6,098,916 |

13. Costs to Respondents

We anticipate that some newly registered broker-dealers may incur a one-time initial cost for outside legal and consulting fees in connection with the initial preparation of the relationship summary. In the aggregate, we estimate approximately 138 newly registered broker-dealers would incur total costs of approximately \$543,582 or \$3,939 per broker-dealer.³⁰ When amortized over three years, the total estimated costs are approximately \$181,194 per year (\$543,582 ÷ 3).

Although broker-dealers subject to the relationship summary requirement may vary widely in terms of the size, complexity and nature of their businesses, the amount of disclosure required will not vary substantially among broker-dealers. Accordingly, the amount of time, and thus cost, required for outside legal and compliance review is unlikely to vary substantially among those broker-dealers who elect to obtain outside assistance.³¹ Most of the information required in the relationship summary is readily available to broker-dealers because the information required pertains largely to broker-dealer's own business practices, and thus the information is likely more readily available to the broker-dealer than to external legal or compliance consultants. As a result, we anticipate that only half of newly registered broker-dealers will seek the help of outside legal services and half will seek the help of compliance consulting services in connection with the initial preparation of the relationship summary. We estimate that the initial per broker-dealer cost for legal services related to the preparation of the relationship summary will be \$2,910.³² We estimate that the initial per broker-dealer cost for compliance consulting services related to the preparation

³⁰ \$200,790 + \$342,792 = \$543,582. \$543,582 / 138 newly registered broker-dealers = \$3,939 per broker-dealer.

³¹ We estimate that an external service provider would spend 5 hours helping a newly registered broker-dealer prepare an initial relationship summary.

³² External legal fees are in addition to the projected hour per broker-dealer burden discussed above. Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that outside legal services cost approximately \$582 per hour. \$582 per hour for legal services x 5 hours per broker-dealer = \$2,910.

of the relationship summary will be \$3,960.³³

Accordingly, we estimate that 138 newly registered broker-dealers will use outside legal services, for a total initial aggregate cost burden of \$200,790,³⁴ and 138 newly registered broker-dealers will use outside compliance consulting services, for a total initial aggregate cost burden of \$342,792,³⁵ resulting in a total initial aggregate cost burden among all respondents of \$543,582 (\$181,194 per year when amortized over three years), or \$3,939 per broker-dealer (\$1,313 per broker dealer when amortized over three years), for outside legal and compliance consulting fees related to preparation of the relationship summary.³⁶

We do not expect ongoing external legal or compliance consulting costs for the relationship summary. Although broker-dealers will be required to amend the relationship summary within 30 days whenever any information becomes materially inaccurate, we expect that the amendments will require relatively minimal wording changes, given the relationship summary's page limitation and summary nature. We believe that broker-dealers will be more knowledgeable about the information to include in the amendments than outside legal or compliance consultants and will be able to make these revisions in-house. Therefore, we do not expect that broker-dealers will need to incur ongoing external costs for the preparation and review of relationship summary amendments.

³³ External compliance consulting fees are in addition to the projected hour per broker-dealer burden discussed above. Based on data from the SIFMA Management and Professional Earnings Report, modified in 2022 by Commission staff to account for, among other things, inflation, we expect that outside management consulting services cost approximately \$792 per hour. \$792 per hour for outside consulting services x 5 hours per broker-dealer = \$3,960.

³⁴ 50% x 138 newly registered broker-dealers = 69 newly registered broker-dealers. \$2,910 for legal services x 69 newly registered broker-dealers = \$200,790.

³⁵ 50% x 138 newly registered broker-dealers = 69 newly registered broker-dealers. \$4,968 for compliance consulting services x 69 newly registered broker-dealers = \$342,792.

³⁶ \$200,790 + \$342,792 = \$543,582. \$543,582/ 138 newly registered broker-dealers = \$3,939 per newly registered broker-dealer.

SUMMARY OF ANNUAL COST BURDEN

| Rule | Burden Type | Number of Annual Respondents | Number of Annual Responses Per Respondent | Cost Per Response (Dollars) | Total Burden Per Burden Type (Dollars) |
|---|---|------------------------------|---|-----------------------------|--|
| Rule 17a-14 (17 CFR 240.17a-14) and Form CRS (17 CFR 249.640) | Initial Preparation, of the Relationship Summary by Newly Registered Broker-Dealers | 138 | 1 | \$1,313 | \$181,194 |
| Total Aggregate Burden | | | | | \$181,194 |

14. Estimate of Cost to the Federal Government

Not applicable. Any review of documents associated with this information collection will be done by existing Commission staff as part of their regular duties.

15. Change in Burden

Even though the Commission has decreased its estimate of currently registered broker-dealers from 2,766 to 2,550 and each of these existing registered broker-dealers has already incurred its one-time initial hour burdens, the total hour burden has increased from 3,405,767 to 6,098,916. The increase in hour burden is due to growth in the customer base of broker-dealers with retail activity, as well as an increase in the number of retail customer accounts. The estimated annual cost burden decreased from \$2,853,590 to \$181,194 because all of the existing registrants from three years ago have already incurred their initial one time start-up costs which and the Commission estimates that only about 138 new registrants will incur initial start-up costs over the next three years.

16. Information Collection Planned for Statistical Purposes

Not Applicable. The information is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form, although the OMB control number will be displayed. Including the expiration date on the

electronic version of this form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not Applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not Applicable.