

**SUPPORTING STATEMENT**  
**Rule 203-2 and Form ADV-W**

**A. JUSTIFICATION**

**1. Necessity of Information Collections**

Rule 203-2 under the Investment Advisers Act of 1940 establishes procedures for an investment adviser to withdraw its registration, or a pending registration application, with the Securities and Exchange Commission (“Commission” or “SEC”). Rule 203-2 requires every person withdrawing from investment adviser registration with the Commission to file Form ADV-W electronically on the Investment Adviser Registration Depository (“IARD”). This collection of information is found at 17 CFR 275.203-2 and 17 CFR 279.2 and it is mandatory.

The collection of information under rule 203-2 is necessary to assure that the Commission and the public are notified when an investment adviser withdraws its SEC registration. The potential respondents to this information collection are all investment advisers registered, or that have applied for registration, with the Commission.

**2. Purposes of Information Collection**

Rule 203-2 and Form ADV-W are used to withdraw an investment adviser’s registration with the Commission. The rule requires advisers to electronically file Form ADV-W to withdraw its SEC registration as an investment adviser. The purpose of the information collection is to notify the Commission and the public when an investment adviser withdraws its SEC registration. Typically, an investment adviser files a Form ADV-W when it ceases doing business or when it is ineligible to remain registered with the Commission.

### **3. Role of Improved Information Technology**

On September 12, 2000, the Commission approved final rules that required all SEC-registered investment advisers to file Part 1 of Form ADV, the form used to register as an investment adviser, electronically through the Investment Adviser Registration Depository (“IARD”).

The IARD is an Internet-based system that investment advisers access through computers in their offices, without the need for specialized software or hardware. The information investment advisers submit to the IARD is stored in a database, and the general public has Internet-access to the data. The IARD also permits investment advisers to meet Commission and state notice filing requirements electronically.

In conjunction with mandating electronic filing of investment adviser registration forms, on September 12, 2000, the Commission also mandated electronic filing of the form used to withdraw from registration. To withdraw an investment adviser registration, rule 203-2 requires the electronic filing of Form ADV-W on the IARD.

### **4. Efforts to Identify Duplication**

The collection of information requirements of the rule and form are not duplicated elsewhere.

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

The requirements of rule 203-2 and Form ADV-W are the same for all investment advisers registered with the Commission, including small entities. It would defeat the purpose of the rule to exempt small entities from these requirements.

**6. Consequences of Less Frequent Collection**

Rule 203-2 requires an adviser to notify the Commission when it is withdrawing its SEC registration. If we did not collect this information, the Commission and the public would be unaware that an adviser had gone out of business or was ineligible to remain registered with the Commission.

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

The collection of information imposes no additional requirements regarding record retention.

**8. Consultations Outside of the Agency**

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment adviser profession through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens facing the industry. The Commission requested public comment on the collection of information requirements in Rule 203-2 and Form ADV-W before it submitted this request for extension and approval to the Office of Management and Budget. The Commission received no comments in response to its request.

**9. Gifts to Respondents**

None.

**10. Assurances of Confidentiality**

The information collected pursuant to rule 203-2 and Form ADV-W are filings with the Commission. These filings are not kept confidential.

## **11. Sensitive Questions**

Not applicable.

## **12. Estimate of Hour Burden**

As currently approved, the total number of respondents is 1,556. The current approved total estimated collection of information burden imposed by rule 203-2 and Form ADV-W is 594 hours per year. Over the past year, the Commission received approximately 850 notices of withdrawal on Form ADV-W.<sup>1</sup> Based on this information, we are decreasing our estimate of total annual responses from 1,556 to 1000.

Form ADV-W is designed to accommodate the different types of withdrawals an investment adviser may file. An investment adviser ceasing operations would complete the entire form to withdraw from all jurisdictions in which it is registered (full withdrawal), while an adviser withdrawing from some, but not all, of the jurisdictions in which it is registered would omit certain items that we do not need from an adviser continuing in business as a state-registered adviser. An adviser filing for partial withdrawal (e.g., the adviser is switching to state registration) omits certain Form ADV-W items, such as the location of its books and records; an adviser filing for full withdrawal (e.g., the adviser is ceasing operations) would complete the entire form. For purposes of this Paperwork Reduction Act extension, the Commission staff estimates based on past filing volume that approximately 50 percent of the advisers filing for withdrawal file for full withdrawal and the remaining 50 percent file for partial withdrawal. Compliance with the requirement to complete Form ADV-W imposes a total

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<sup>1</sup> This information is based on data collected from Form ADV-Ws filed through the IARD during the past 12 months.

burden of approximately 0.75 hours (45 minutes) for an adviser filing for full withdrawal and approximately 0.25 hours (15 minutes) for an adviser filing for partial withdrawal. Based on these estimates and estimated total responses, we are lowering our total annual hours requested from 594 hours to 500 hours.<sup>2</sup>

We anticipate that investment advisers would likely utilize a combination of compliance professionals and clerical staff to complete Form ADV-W and file it with the Commission. The Commission estimates the hourly wage for compliance professionals to be \$245 per hour, including benefits,<sup>3</sup> and the hourly wage rate for clerical staff to be \$41 per hour, including benefits.<sup>4</sup> An investment adviser filing for full withdrawal would utilize an estimated 50% professional time and 50% clerical time. For each full withdrawal, the estimated cost would be \$107.26 per withdrawal,<sup>5</sup> or \$ 53,630 total.<sup>6</sup> It is estimated that an investment adviser filing for partial withdrawal would utilize only clerical staff. For each partial withdrawal, the estimated cost would be \$10.25 per

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<sup>2</sup>  $(500 \text{ full ADV-Ws} * 0.75 \text{ hours}) + (500 \text{ partial ADV-Ws} * 0.25 \text{ hours}) = 375 + 125 = 500.$

<sup>3</sup> This figure is from the SIA Report on Management & Professional Earnings in the Securities Industry 2006.

<sup>4</sup> This figure is from the SIA Report on Office Salaries in the Securities Industry 2006.

<sup>5</sup>  $((.75 \text{ hours} * .5) * \$245/\text{hour}) + ((.75 \text{ hours} * .5) * \$41/\text{hour}) = \$91.88 + \$15.38 = \$107.26.$

<sup>6</sup>  $\$107.26 * 500 = \$53,630.$

withdrawal,<sup>7</sup> or \$5,125 total.<sup>8</sup> Accordingly, the Commission staff estimates the total annual cost of Form ADV-W to be \$58,755.<sup>9</sup>

**13. Estimate of Total Annual Cost Burden**

\$0.

**14. Estimate of Cost to the Federal Government**

\$0.

**15. Explanation of Changes in Burden**

Based on data collected from Form ADV-Ws filed in the past 12 months, we are decreasing our estimate of total annual responses from 1,556 to 1,000.

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

Not applicable.

**17. Approval to Display Expiration Date**

Not applicable.

**18. Exception to Certification Requirement**

Not applicable.

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

Not applicable.

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<sup>7</sup> .25 hours \* \$41/hour = \$10.25.

<sup>8</sup> \$10.25 \* 500 = \$5,125.

<sup>9</sup> \$53,630+ \$5125 = \$58,755.