Revised
9/24/15

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 15c2-12

A. Justification

(1) Necessity of Information Collection

At the time the securities laws first were enacted, the market for most municipal securities was largely confined to limited geographic regions. The localized nature of the market, arguably, allowed investors to be aware of factors affecting the issuer and its securities. Moreover, municipal securities investors were primarily institutions, which in other instances are accorded less structured protection under the federal securities laws. Since 1933, however, the municipal markets have become nationwide in scope and now include a broader range of investors. At the same time that the investor base for municipal securities has become more diverse, the structure of municipal financing has become more complex. In the era preceding the adoption of the Securities Act of 1933, municipal offerings consisted largely of general obligation bonds. Today, however, municipal issuers include greater proportions of revenue bonds that are not backed by the full faith and credit of a governmental entity and which, in many cases, may pose greater credit risks to investors. In addition, more innovative forms of financing have focused increased attention on call provisions and redemption rights in weighing the merits of individual municipal bond investment opportunities.

Today there are over $3.7 trillion of municipal securities outstanding. Despite its reputation as a "buy and hold" market, trading volume is also substantial, with over $2.4 trillion of long and short-term municipal securities traded in 2014 in more than eight million transactions. The availability of accurate information concerning municipal offerings is integral to the efficient operation of the municipal securities market. In the Commission's view, a thorough, professional review of municipal offering documents by underwriters could encourage appropriate disclosure of foreseeable risks and accurate descriptions of complex put and call features, as well as novel financing structures now employed in many municipal offerings. In addition, with the increase in novel or complex financing, there may be greater value in having investors receive disclosure documents describing fundamental aspects of their investments. Yet, underwriters are unable to perform this function effectively when offering statements are not provided to them on a timely basis. Moreover, where sufficient quantities of offering statements are not available, underwriters are hindered in meeting present delivery obligations imposed on them by Municipal Securities Rulemaking Board ("MSRB") rules.

For these reasons, in 1989, pursuant to Sections 15(c)(1) and (2) of the Securities Exchange Act of 1934, the Commission adopted Rule 15c2-12 (the "Rule" or "Rule 15c2-12"), a limited rule designed to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to municipal offering statements. In the context of the access to offering statements provided by the Rule, the Commission also reemphasized the existence and nature of an underwriter's obligation to

have a reasonable basis for its implied recommendation of any municipal securities that it underwrites.

While the availability of primary offering disclosure significantly improved following the adoption of Rule 15c2-12, there was a continuing concern about the adequacy of disclosure in the secondary market. To enhance the quality, timing, and dissemination of disclosure in the secondary municipal securities market, the Commission in 1994 adopted amendments to Rule 15c2-12 ("1994 Amendments"). Among other things, the 1994 Amendments placed certain requirements on brokers, dealers, and municipal securities dealers ("broker-dealers" or, when used in connection with primary offerings, "Participating Underwriters"). Specifically, under the 1994 Amendments, Participating Underwriters are prohibited, subject to certain exemptions, from purchasing or selling municipal securities covered by the Rule in a primary offering, unless the Participating Underwriter has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities ("continuing disclosure agreement") to provide specified annual information and event notices to certain information repositories. The information to be provided consists of: (1) certain annual financial and operating information and audited financial statements ("annual filings"); (2) notices of the occurrence of any of certain specific events ("event notices"); and (3) notices of the failure of an issuer or other obligated person to make a submission required by a continuing disclosure agreement ("failure to file notices") (annual filings, event notices and failure to file notices may be collectively referred to as "continuing disclosure documents").

To further promote the more efficient, effective, and wider availability of municipal securities information to investors and market participants, on December 5, 2008, the Commission adopted amendments to Rule 15c2-12 ("2008 Amendments") to provide for a single centralized repository, the MSRB, for the electronic collection and availability of information about outstanding municipal securities in the secondary market. Specifically, the 2008 Amendments require the Participating Underwriter to reasonably determine that the issuer or obligated person has undertaken in its continuing disclosure agreement to provide the continuing disclosure documents: (1) solely to the MSRB; and (2) in an electronic format and accompanied by identifying information, as prescribed by the MSRB. Although the Commission received 23 comment letters on the proposed rulemaking for the 2008 Amendments, none of the commenters addressed the Commission's estimates regarding the collection of information burden associated with the 2008 Amendments.

Further amendments to the Rule adopted on May 27, 2010 ("2010 Amendments"): (i) specified the time period for submission of event notices; (ii) expanded the Rule's current categories of events; and (iii) modified an exemption in the Rule used for demand securities. The 2010 Amendments were intended to promptly make available to broker-dealers, institutional and retail investors, and others important information about significant events relating to municipal securities and their issuers. The 2010 Amendments help enable investors and other municipal securities market

participants to be better informed about important events that occur with respect to municipal securities and their issuers, including with respect to demand securities, and thus allow investors to better protect themselves against fraud. In addition, the 2010 Amendments provide brokers, dealers, and municipal securities dealers with access to important information about municipal securities that they can use to carry out their obligations under the securities laws. This information can be used by individual and institutional investors; underwriters of municipal securities; other market participants, including broker-dealers and municipal securities dealers; analysts; municipal securities issuers; the MSRB; vendors of information regarding municipal securities; Commission staff; and the public generally. The 2010 Amendments also included interpretive guidance with respect to the obligations of Participating Underwriters to determine whether an issuer or obligated person has disclosed in a final official statement any instances in the previous five years in which it has failed to comply in all material respects with any previous continuing disclosure undertaking. The Commission received 29 comment letters on the proposed rulemaking for the 2010 Amendments and some comments generally addressed the collection of information burden associated with the 2010 Amendments but did not provide any quantified alternative estimates of or supporting data related to these burdens.

Since the adoption of the 2010 Amendments, the requirements of the Rule have not changed. Under paragraph (b) of the Rule, a Participating Underwriter is required: (1) to obtain and review an official statement "deemed final" by an issuer of the securities, except for the omission of specified information, prior to making a bid, purchase, offer, or sale of municipal securities; (2) in non-competitively bid offerings, to send, upon request, a copy of the most recent preliminary official statement (if one exists) to potential customers; (3) to contract with the issuer to receive, within a specified time, sufficient copies of the final official statement to comply with the Rule's delivery requirement, and the requirements of the rules of the MSRB; (4) to send, upon request, a copy of the final official statement to potential customers for a specified period of time; and (5) before purchasing or selling municipal securities in connection with an offering, to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide continuing disclosure documents to the MSRB in an electronic format as prescribed by the MSRB. In addition, under paragraph (c) of the Rule, a broker-dealer that recommends the purchase or sale of a municipal security must have procedures in place that provide reasonable assurance that it will receive prompt notice of any event specified in paragraph (b)(5)(i)(C) of the Rule and any failure to file annual financial information regarding the security.

Under paragraph (b)(5)(i)(C) of the Rule, Participating Underwriters are required to reasonably determine that the issuer or obligated person has undertaken in a continuing disclosure agreement to provide event notices to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days, when any of the following events with respect to the securities being offered in an offering occurs: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the I.R.S. of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security; (7) modifications to rights of security holders, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of securities, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the obligated person; (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of a name of a trustee, if material.

(2) Purpose and Use of the Information Collection

Under Rule 15c2-12, the Participating Underwriter is required: (1) to obtain and review a copy of an official statement deemed final by an issuer of the securities, except for the omission of specified information; (2) in non-competitively bid offerings, to make available, upon request, the most recent preliminary official statement, if any; (3) to contract with the issuer of the securities, or its agent, to receive, within specified time periods, sufficient copies of the issuer's final official statement to comply both with this rule and any rules of the MSRB; (4) to provide, for a specified period of time, copies of the final official statement to any potential customer upon request; and (5) before purchasing or selling municipal securities in connection with an offering, to reasonably determine that the issuer or other specified person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide certain information about the issue or issuer on a continuing basis to the MSRB. In addition, a broker-dealer is required to obtain the information the issuer of the municipal security has undertaken to provide prior to recommending a transaction in the municipal security.

As previously noted, the Rule was designed to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to municipal offering statements, and to further promote the more efficient, effective, and wider availability of municipal securities information by providing for a single centralized repository, the MSRB, for the electronic collection and availability of information about outstanding municipal securities in the secondary market.

(3) Consideration Given to Information Technology

Since the 1994 Amendments to the Rule, there have been significant advancements in technology and information systems that allow market participants and investors, both retail and institutional, easily, quickly, and inexpensively to obtain information through electronic means. The exponential growth of the Internet and the

capacity it affords to investors, particularly retail investors, to obtain, compile and review information has likely helped to keep investors better informed. In addition to the Commission's EDGAR system, which contains filings by public companies and mutual funds, the Commission has increasingly encouraged, and in some cases required, the use of the Internet and websites by public reporting companies and mutual funds to provide disclosures and communicate with investors.

The Commission believes that, at present, information about municipal issuers and their securities may not be as consistently available or comprehensive as information about other classes of issuers and their securities. In past years this may have been due, in part, to the lack of a central point of collection and availability of information in the municipal securities sector. Therefore, in the 2008 Amendments, the Commission adopted amendments to Rule 15c2-12 to provide for a single centralized repository, the MSRB, to receive submissions in an electronic format as a means to encourage a more efficient and effective process for the collection and availability of continuing disclosure documents.

(4) Duplication

The information collection requested from Participating Underwriters is not duplicative, since this information would not otherwise be required by the Commission.

(5) Effect on Small Entities

The Rule is one of general applicability that does not depend on the size of a broker-dealer. Since the Rule is designed to apply to all registered broker-dealers, the Rule must apply in the same manner to small as well as large broker-dealers. The Commission believes that many of the substantive requirements of the Rule have been observed by underwriters and issuers as a matter of business practice or to fulfill their existing obligations under the MSRB rules and the general anti-fraud provisions of the federal securities laws. Moreover the Rule focuses only on offerings of municipal securities of $1 million or more, in which any additional costs imposed by the establishment of specific standards are balanced by the potential harm to the large number of investors that may purchase securities based on inaccurate information. The Commission is sensitive to concerns that the Rule not impose unnecessary costs on municipal issuers. When the Rule was proposed, many commenters, including the MSRB and the Public Securities Association (n/k/a the Securities Industry and Financial Markets Association ("SIFMA")), indicated that the Rule would not impose unnecessary costs or force a majority of responsible issuers to depart from their current practices. The commenters suggested that the Rule should, however, encourage more effective disclosure practices among those issuers that did not currently provide adequate and timely information to the market. The Rule also contains exemptions for underwriters participating in certain offerings of municipal securities issued in large denominations that are sold to no more than 35 sophisticated investors or have short-term maturities.

(6) Consequences of Not Conducting Collection

Providing broker-dealers with a more flexible standard may jeopardize the protection that Rule 15c2-12 provides. The Commission understands that the Rule imposes a burden on broker-dealers; however, the Commission seeks to accomplish this goal in the least intrusive manner, by imposing minimal additional costs on broker-dealers while enhancing investor protection. Moreover, the Commission has already limited application of the Rule to primary municipal offerings of $1 million or more and has incorporated a limited placement exemption into the Rule.

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

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

(8) Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. The Commission received ten comment letters in response to this comment solicitation.[1] Commission staff has considered these comments and has revised many of the estimates that were included in the 60-day notice in response to these comments. In response to previous comment solicitations in 2008 and 2009 on the Paperwork Reduction Act burdens associated with Rule 15c2-12, the Commission received either no comments, or comments that did not include any quantified alternative estimates or that did not include any supporting data. In contrast to those previous comment solicitations, the Commission received comment letters in response to the 60-day notice that included comments providing specific alternative estimates of the Paperwork Reduction Act burdens of Rule 15c2-12 and specific data to support the commenters' alternative estimates. Based on the new information commenters provided in response to the 60-day notice, Commission staff has revised many of its hourly burden estimates, as discussed more fully below.

[1] Letters from Richard Lehmann, President, Income Securities Advisor Inc. ("ISA"), November 10, 2014; Richard Li ("Li"), December 1, 2014; Dustin McDonald, Director, Federal Liaison Center, Government Finance Officers Association ("GFOA"), January 16, 2015; Michael Nicholas, Chief Executive Officer, Bond Dealers of America ("BDA"), January 16, 2015; Leslie M. Norwood, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association ("SIFMA"), January 17, 2015; Antonio D. Martini, President, National Association of Bond Lawyers ("NABL"), January 17, 2015; Kym Arnone, Chair, Municipal Securities Rulemaking Board ("MSRB"), January 20, 2015; Joshua J. Lentz, Vice President, Applied Best Practices ("ABP"), January 20, 2015; Marc D. Joffe, Public Sector Credit Solutions ("PSCS"), January 20, 2015; and Thomas G. Johnsen, Chairperson, Committee on Assessments, Special Taxes and Other Financing Facilities ("CASTOFF"), January 21, 2015.

Annual Filings

Several commenters stated that the preparation of information that is not otherwise prepared by issuers but that is required for inclusion in annual filings, such as the preparation of annual operating data by revenue bond issuers, the updating of tax base data by general obligation bond issuers or the preparation of other annual financial information or operating data, results in additional time expenditures by issuers.[2] SIFMA stated generally that although the SEC staff's estimates might be close for some small issuers who issue simple transactions frequently, at least 90 percent of the transactions do not fit this mold; however, SIFMA did not offer any alternative estimate of the hour burden for preparing and submitting annual filings. GFOA estimated that preparation and submission of annual filings takes between four and nine hours, including time spent gathering and reviewing all information necessary to prepare the filings (such as complete organization and analysis of all CUSIPs), consultation with relevant counsel and the actual filing of the documents on MSRB's Electronic Municipal Market Access ("EMMA") system. NABL commented that while smaller issuers may be able to comply with annual filing requirements in a few hours, a large, multi-faceted issuer may need 150 hours (or more) to prepare and submit its annual data. ABP stated that, based upon their experience, the preparation of annual reports takes from one to ten hours. With respect to land-based financings, CASTOFF stated that the time needed to prepare an annual report is typically seven to ten hours. Li found the Commission staff's estimate of 45 minutes to file annual financial information to be reasonable.

Issuers prepare annual financial information as a usual and customary practice in the municipal securities market. Often, annual financial information is required to be prepared by issuers pursuant to state law. To the extent issuers and obligated persons disclose additional operating data in their offering documents, however, respondents may incur additional burdens updating that data annually. The Commission staff has considered the comments and believes that the hour burden on respondents to prepare and submit annual filings varies widely because of the differences in the type of issuer and type of credit. Based on the feedback received from the commenters, the staff has revised its estimate of the time required to prepare and submit annual filings to the MSRB to fall within a range of 45 minutes to 10 hours per filing, and estimates that seven hours is the average burden.

Event Notices

GFOA estimated that the preparation and submission of event notices typically takes between one to four hours, with more common event notices typically taking over an hour to prepare and submit, and less typical event notices taking as many as four hours to prepare and submit. CASTOFF estimated that the time to prepare event notices for land-based financings is five to eight times greater than the 45 minutes estimated by the Commission's staff. Richard Li stated that it takes a minimum of two hours to file event notices, including the time required to identify material events, consult with counsel, and

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[2] See SIFMA letter, NABL letter, Li letter.

draft, review and file. NABL believes the Commission underestimated the amount of time spent complying with event filing requirements and suggested that compliance with just one event notice (rating changes) requires that issuers spend 26 to 52 hours per year on average to check with each rating agency for any changes in ratings on outstanding bond issues. SIFMA commented that burdens for event notices should be measured per securities issue outstanding and not by how many filings are made because issuers still have to check for material events even in years in which no event notice is actually filed.

The Commission staff has considered the comments and believes that the hour burden on respondents to prepare and submit event notices varies based on the type of event being disclosed. Commission staff believes that NABL's estimate of the amount of time issuers spend monitoring for rating changes is overstated. The Commission noted in the adopting release for the 2010 Amendments that as a result of the 2010 Amendments some issuers might need to monitor more actively for certain events than they had in the past, in particular for rating changes, but concluded that its 45 minute estimate continued to reflect, on average, the amount of time required to prepare and submit an event notice because most event notices concern events that are within the issuer's control and therefore require little if any monitoring.[3] Since the adoption of the 2010 Amendments, it has become easier for issuers to monitor for rating changes because all of the ratings from all major municipal securities ratings agencies are now readily available for free to issuers in a centralized place on EMMA.

Based on the feedback received from the commenters about the estimated amount of time issuers expend preparing, filing and monitoring for events, the staff has revised its estimate of the time required to prepare and submit event notices to the MSRB to two hours per filing. Commission staff believes the estimates in the lower range of commenters' suggestions are more accurate because Commission staff believes some commenters have overestimated the amount of time issuers need to expend and because the amount of time needed to monitor for rating changes has been reduced. Commission staff believes that burdens for event notices should be measured based on actual filings rather than per securities issue because issuers who actually make filings are likely to have higher burdens than those who do not; Commission staff estimates that the average amount of time expended actually preparing and submitting event notices greatly exceeds the average amount of time monitoring for events, and many securities issues may not

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[3] See Securities Exchange Act Release No. 62184A (May 27, 2010), 75 FR 33100 at 33133 (June 10, 2010). The Commission also noted in the adopting release for the 2010 Amendments that the events specified in paragraph (b)(5)(C) of the Rule other than rating changes and, in some cases, trustee name changes, are significant and should become known to the issuer or obligated person expeditiously. Many events, such as payment defaults, tender offers, and bankruptcy filings generally involve the issuer's or obligated person's participation. Involvement of the issuer or obligated person is often required for substitution of credit or liquidity providers; modifications to rights of security holders; release, substitution or sale of property securing repayment of the securities; and optional redemptions. With respect to changes in trustees, the Commission noted that issuers can minimize monitoring burdens simply by adding a notice provision to the trust indenture that requires the trustee to provide the issuer with notice of the appointment of a new trustee or any change in the trustee's name. See Securities Exchange Act Release No. 62184A (May 27, 2010), 75 FR 33100 at 33132, 33133 (June 10, 2010).

require any filings of event notices. The Commission staff has included time to actively monitor the need for filing in its overall two hour average burden per filing.

Failure to File Notices

GFOA estimated that the preparation and submission of failure to file notices required approximately one to four hours. CASTOFF stated that the Commission staff's estimated time to prepare and submit failure to file notices is underestimated.

The Commission staff has considered the comments. Based on the feedback received from the commenters, the staff has revised its estimate of the time required to prepare and submit failure to file notices to the MSRB to two hours per filing.

Issuer Cost Burden

CASTOFF stated that the average cost of $750 for "consultant prepared reports" is not one-half of the actual annual costs per annual filing. The Commission's 60-day notice estimated that the average annual cost for issuers to use a designated agent to assist with continuing disclosure filings was $750. CASTOFF's comment does not appear to address the costs of using a designated agent. In any event, CASTOFF did not offer any alternative estimate of the cost burden to issuers. Accordingly, the Commission staff is not revising its estimate of the average total annual cost that may be incurred by issuers that use the services of a designated agent.

Burdens on Broker-Dealers

NABL stated that the Commission's estimate of the compliance burden on broker-dealers was significantly lower than actual average compliance times but did not offer any specific alternatives to the Commission's estimates. SIFMA commented that compliance with "all aspects" of Rule 15c2-12 is 3,000 hours per year per broker-dealer. The Commission's estimate of the annual burden on broker-dealers, however, is solely based on their *paperwork* burdens (i.e., the burden of the proposed collection of information) and not the burden of complying with "all aspects" of Rule 15c2-12, which is beyond the scope of the Paperwork Reduction Act analysis. Moreover, many of the burdens discussed in SIFMA's comment letter (e.g., reviewing official statements) are burdens on broker-dealers arising from their obligations to comply with the anti-fraud provisions of the Exchange Act and not solely related to paperwork burdens arising from Rule 15c2-12. Accordingly, the Commission did not include the time, effort and financial resources incurred by broker-dealers "in the normal course of their activities" in calculating their burdens under the Paperwork Reduction Act.[4]

The Commission's 300-hour estimate of the annual burden on broker-dealers previously was based on their paperwork burden of determining that the issuer or obligated person has undertaken, in a written agreement or contract, to provide annual

[4] See 5 CFR 1320.3(b)(2).

filings, material event notices, and failure to file notices to the MSRB. As the Commission previously explained in connection with the 2010 Amendments, the continuing disclosure agreements that are reviewed by broker-dealers as part of their obligation under the Rule tend to be standard form agreements.

The Commission staff has considered the comments with respect to the annual burden for broker-dealers to determine whether an issuer or obligated person has disclosed in a final official statement any instances in the previous five years in which it has failed to comply in all material respects with any previous continuing disclosure undertaking. Based on the feedback received from the commenters, the staff has revised its estimates of the annual burden for broker-dealers. Although it has revised these burden estimates, the Commission staff notes that it is usual and customary for purposes of complying with the anti-fraud provisions of securities laws for broker-dealers serving as Participating Underwriters to expend considerable time reviewing issuers' disclosure documents to have a reasonable basis for belief as to the accuracy and completeness of the representations in the documents. In the interpretive guidance associated with the 2010 Amendments, the Commission stated that an underwriter should obtain evidence reasonably sufficient to determine whether and when annual filings and event notices were in fact provided.[5] Determining whether an issuer or obligated person has filed continuing disclosure documents will usually include an examination of the filings made over a five-year period on the MSRB's EMMA system. An underwriter may also ask questions of an issuer, and, where appropriate, obtain certifications from an issuer, obligated person or other appropriate party about facts such as the occurrence of specific events listed in paragraph (b)(5)(i)(C) of the Rule and the timely filing of annual filings and any required event notices or failure to file notices.

The Commission previously estimated that 250 broker-dealers potentially could serve as Participating Underwriters in an offering of municipal securities and that they would incur an estimated average burden of 300 hours per year to comply with Rule 15c2-12. Based on the feedback received from the commenters, the staff has revised its estimate of the time required of broker-dealers to estimate that 250 broker-dealers potentially could serve as Participating Underwriters in an offering of municipal securities and that they would collectively incur an estimated average burden of 22,500 hours per year to comply with the Rule. This estimate includes an estimate of (1) 2,500 hours per year for 250 broker-dealers (10 hours per year per broker-dealer) to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of such municipal securities, to provide annual filings, event notices and failure to file notices to the MSRB, and (2) 20,000 hours per year (80 hours per year per broker-dealer) for broker-dealers serving as a Participating

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[5] While the Commission received 29 comment letters on the proposed rulemaking for the 2010 Amendments, none of the commenters provided specific estimates of the collection of information burden to broker-dealers arising from the obligation to determine whether an issuer or obligated person has disclosed in a final official statement any instances in the previous five years in which it has failed to comply in all material respects with any previous continuing disclosure undertaking.

Underwriters to determine whether issuers or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

Burdens and Costs to MSRB

In its comment letter, the MSRB revised its original estimate of hours and costs, stating that in fiscal year 2014, the MSRB dedicated an estimated 12,699 hours and at least $10,000 in hardware and software costs to provide a continuing disclosure submission platform, to manage the submissions securely, to improve and maintain a user-interface and to deploy educational resources and other tools.

The Commission staff has considered the MSRB's comments and has revised its estimates to 12,699 hours and $10,000.

Changes to Rule 15c2-12

Many of the commenters urged the Commission to undertake a broad review of Rule 15c2-12 for potential updates and amendments to address issues not specifically related to the Paperwork Reduction Act collection of information requirements.[6] SIFMA commented that the Rule is unnecessarily confusing, burdensome and complicated and encouraged the Commission to open a full review of the Rule to analyze if more, less or different information should be collected. Specific suggestions from commenters included the addition of bank loan disclosure to the Rule, the removal of material rating changes as an event requiring an event notice, changes in timing requirements for event notices and annual filings, allowance of more incorporation by reference in continuing disclosure documents, more effective amendment processes for continuing disclosure agreements, requirements to increase the searchability of audit report submissions and various other suggestions.[7]

Commission staff notes that any suggested changes to the Rule itself would need to be effected pursuant to a Commission rulemaking and are beyond the scope of the Paperwork Reduction Act analysis.

(9) Payment or Gift

Not Applicable.

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[6] See SIFMA letter, MSRB letter, CASTOFF letter, Li letter, BDA letter, PSCS letter, ISA letter.

[7] PSCS commented that the SEC should amend the Rule to require that PDFs of audit reports be unlocked, unencrypted and at least 85% text searchable. The Commission notes that the Rule itself does not specify formatting submission requirements, although the MSRB has established requirements for electronic submissions to its EMMA system. All documents must be in "portable document format (PDF), configured to permit documents to be saved, viewed and retransmitted by electronic means." Moreover, all PDF documents must be word-searchable. See MSRB Facility for Electronic Municipal Market Access System – EMMA, available at http://www.msrb.org/Rules-and-Interpretations/Information-Facilities/EMMA-Facility.aspx.

(10) Confidentiality

No assurances of confidentiality have been provided.

(11) Sensitive Questions

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

(12) Burden of Information Collection and
(13) Cost to Respondents

The tables below set forth the Commission's estimates of respondent reporting burden and total annualized cost burden.

THIRD-PARTY DISCLOSURE BURDEN AND COST

	Responses	**Burden (hours)**	**Cost**
Approved Previous Final Rule	269,500	154,346	$10,558,239
Revised Burdens and Cost			
Broker-dealers	250	22,500	$0
Issuers (annual filings)	62,596	438,172	$0
Issuers (event notices)	73,480	146,960	$0
Issuers (failure to file notices)	7,063	14,126	$0
Issuers that use the services of a designated agent to submit continuing disclosure documents			$9,750,000[8]
Revised Estimates	**143,389**	**621,758**	**$9,750,000**

RECORDKEEPING BURDEN AND COST

	Responses	**Burden (hours)**	**Cost**
Approved Previous Final Rule			
Municipal Securities Rulemaking Board	1	9,030	$10,000
Revised Estimates			
Municipal Securities Rulemaking Board	1	12,699	$10,000

[8] 20,000 (number of issuers) x .65 (percentage of issuers that may use designated agents) x $750 (estimated average annual cost for issuer's use of designated agent) = $9,750,000.

(14) Costs to Federal Government

Cost to the federal government results from appropriate regulatory agency staff time and related overhead costs for inspection and examination for compliance with requirements of the Rule. Since the Commission inspects broker-dealers regularly, inspection for compliance with the requirements of this Rule is a part of the overall broker-dealer inspection. Thus, the Commission uses little additional resources to ensure compliance with the Rule. Commission staff estimates that approximately 100 hours of staff time per year are devoted to ensuring compliance with the requirements of the Rule at a cost of $6,900 per year.

(15) Changes in Burden

The paperwork collection associated with Rule 15c2-12 applies to broker-dealers, issuers of municipal securities, and the MSRB. Commission staff is changing the estimated burdens for broker-dealers, issuers, and the MSRB contained in the Federal Register notice based upon industry input in the comments received pursuant to the 60-day comment period. The estimated burdens suggested by the commenters varied widely; most commenters provided ranges in recognizing that "one size does not fit all with respect to the burdens of the Rule upon market participants."[9] Commission staff believes the revised estimates reflect the average burden incurred by all respondents, as opposed to the particular experience of individual entities.

For broker-dealers, the Commission estimates that the annual burden for all broker-dealers is higher than its previous estimate based on the comments received. The Commission estimates that approximately 250 broker-dealers potentially could serve as Participating Underwriters in an offering of municipal securities. The Commission staff now believes that 250 broker-dealers will collectively incur an estimated average burden of 22,500 hours per year to comply with Rule 15c2-12.

For issuers, the Commission believes that 20,000 issuer respondents is an appropriate estimate based on data from the MSRB. This estimate of 20,000 issuer respondents is higher than the Commission's previous estimate of 12,000 issuer respondents. The Commission increased its estimate of issuer respondents from 12,000 to 20,000 based upon data recently obtained from the MSRB indicating that the number of issuer respondents may now be as high as 20,000 issuer respondents.

Although the Commission's estimate of the number of issuer respondents has increased by 8,000 issuer respondents, the estimated total of number of filings to be made yearly by these issuer respondents has decreased by approximately 126,111 filings.[10] The Commission recently obtained data from the MSRB's EMMA system reflecting the number of actual submissions to the EMMA system's continuing disclosure service for

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[9] See SIFMA letter.

[10] 269,250 (Commission's previous estimate of total yearly issuer filings) – 143,389 (Commission's new estimate of total yearly issuer filings) = 126,111 filings.

the eight-month period from January 1, 2014 through September 30, 2014. This data includes the number of annual filings, event notices, and failure to file notices that were submitted during this period. To provide estimates that are based on the MSRB's actual experience with respect to submissions, the Commission has elected to use the data obtained for the period to revise the previous estimates. The Commission has annualized the numbers, since the period is less than one year.

For annual filings, the Commission estimates that 20,000 issuers will submit approximately 62,596 annual filings. This revised estimate is higher than the previous estimate by 39,687. For event notices, the Commission estimates that 20,000 issuers will prepare and submit approximately 73,480 event notices. This revised estimate is lower than the previous estimate by 1,125. For failure to file notices, the Commission estimates that 20,000 issuers will prepare and submit approximately 7,063 failure to file notices. This revised estimate is higher than the previous estimate by 5,605. The Commission's overall estimate of yearly filings by issuer respondents is now 143,389,[11] which is lower than the Commission's previous estimate of 269,250 filings by 126,111 filings.[12]

The Commission previously estimated that issuers of municipal securities would require approximately 45 minutes to prepare and submit annual filings, approximately 45 minutes to prepare and submit event notices, and approximately 30 minutes to prepare and submit failure to file notices. Based on the comments received, Commission staff now estimates that issuers of municipal securities would require approximately seven hours to prepare and submit annual filings, approximately two hours to prepare and submit event notices, and approximately two hours to prepare and submit failure to file notices. Accordingly, the Commission now estimates that 20,000 issuers will incur a total paperwork burden of 599,258 hours ensuring compliance with the Rule.[13]

Based on data provided by the MSRB, the Commission estimates that up to 65% of issuers may use designated agents to submit some or all of their continuing disclosure documents to the MSRB. When issuers utilize the services of a designated agent, they generally enter into a contract with the agent for a package of services, including the submission of continuing disclosure documents, for a single fee. Based on industry sources, the Commission estimates this fee to range from $0 to $1,500 per year depending on the designated agent an issuer uses. The Commission estimates that the average total annual cost that may be incurred by issuers that use the services of a designated agent will be $9,750,000.[14] This estimate is lower than the previous estimate of total annual costs to issuers because (1) it excludes many one-time costs associated with the adoption of the 2010 Amendments to the Rule; (2) it recognizes that most issuer respondents now have Internet access and the technological resources needed to fulfill

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11 62,596 (annual filings) + 73,480 (event notices) + 7,063 (failure to file notices) = 143,139.

12 269,250 (Commission's previous estimate of total yearly issuer filings) – 143,389 (Commission's new estimate of total yearly issuer filings) = 126,111.

13 438,172 (estimated number of annual filings x 7 hours) + 146,960 (estimated number of event notices x 2 hours) + 14,126 (7,063 filings x 2 hours) = 599,258 hours.

14 20,000 (number of issuers) x .65 (percentage of issuers that may use designated agents) x $750 (estimated average annual cost for issuer's use of designated agent) = $9,750,000.

their obligations under the Rule; (3) it is based on actual data from the MSRB estimating the total number of issuer respondents and estimating the percentage of issuers that may use designated agents; and (4) it is based on updated data from industry sources regarding the issuer's cost of using designated agents.

For the MSRB, the Commission estimates that the total burden of collecting, indexing, storing, retrieving and disseminating information requested by the public is approximately 12,699 hours based on the MSRB's estimates from fiscal year 2014. This revised estimate is higher than the previous estimate by 3,669 hours. The Commission estimates that the MSRB will have costs of $10,000 associated with extension of the Rule based on the MSRB's estimates of the hardware and software costs for EMMA in fiscal year 2014.

(16) Information Collection Planned for Statistical Purposes

The information collection 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.