

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Crowdfunding Rules 400-404 (Funding Portals)

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. § 3501 *et seq.* (2012).

A. JUSTIFICATION

1. Necessity of Information Collection

The Jumpstart Our Businesses Act of 2012 (the “JOBS Act”) added new Securities Act of 1933 (“Securities Act”) Section 4(a)(6),¹ which provides an exemption from the registration requirements of Securities Act Section 5 for certain crowdfunding transactions. To qualify for the exemption under Section 4(a)(6), crowdfunding transactions by an issuer must meet specified requirements, including that transactions must be conducted through an intermediary that either is registered as a broker or is registered as a new type of entity called a “funding portal.” Title III adds Securities Exchange Act of 1934 (“Exchange Act”) Section 3(h), which requires the Commission to adopt rules to exempt, either conditionally or unconditionally, “funding portals” from having to register as brokers or dealers pursuant to Exchange Act 15(a)(1).

Pursuant to Title III, the Commission adopted Exchange Act Rules 400 through 404 and Form Funding Portal on October 30, 2015, in order to create a regulatory scheme for funding portals and to exempt funding portals from having to register as brokers or dealers.²

The collections of information required under Rules 400 through 404 is mandatory for all funding portals.

Rule 400 requires each person applying for registration with the Commission as a funding portal to file electronically with the Commission Form Funding Portal.

Rule 400(a) requires a funding portal to become a member of a national securities association registered under Section 15A of the Exchange Act.

Rule 400(b) requires a funding portal to file an amendment to Form Funding Portal if any information previously submitted on Form Funding Portal becomes inaccurate for any reason.

¹ Title III amended Securities Act Section 4 to add Section 4(6); however, Title II of the JOBS Act also amended Securities Act Section 4 and inserted subsections (a) and (b). The U.S. Code implemented the amendment by adding paragraph (6) at the end of subsection (a).

² See *Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71387, 71545-49 (Nov. 16, 2015) (“*Regulation Crowdfunding*”).

Rule 400(c) provides that a funding portal can succeed to the business of a predecessor funding portal upon the successor filing a registration on Form Funding Portal and the predecessor filing a withdrawal on Form Funding Portal.

Rule 400(d) requires a funding portal to promptly file a withdrawal of registration on Form Funding Portal upon ceasing to operate as a funding portal.

Rule 400(e) states that duplicate originals of the applications and reports provided for in this section must be filed with surveillance personnel designated by any registered national securities association of which the funding portal is a member.

Rule 400(f) requires a nonresident funding portal to: (1) obtain a written consent and power of attorney appointing an agent for service of process in the United States; (2) furnish the Commission with the name and address of its agent for services of process on Schedule C of Form Funding Portal; (3) certify that it can, as a matter of law, and will provide the Commission and any registered national securities association of which it becomes a member with prompt access to its books and records and can, as a matter of law, and will submit to onsite inspection and examination by the Commission and any registered national securities association of which it becomes a member; and (4) provide the Commission with an opinion of counsel and certify on Schedule C on Form Funding Portal that the firm can, as a matter of law, provide the Commission and registered national securities association of which it becomes a member with prompt access to its books and records and can, as a matter of law, submit to onsite inspection and examination by the Commission and any registered national securities association of which it becomes a member.³

Rule 403(a) requires a funding portal to implement written policies and procedures reasonably designed to achieve compliance with the federal securities laws and the rules and regulations thereunder relating to its business as a funding portal.

Rule 403(b) provides that a funding portal must comply with privacy rules.

Rule 404 requires all registered funding portals to maintain certain books and records relating to their funding portal activities, for not less than five years, the first two in an easily accessible place. Rule 404(e) requires funding portals to furnish promptly to the Commission, its representatives, and the registered national securities association of which the funding portal is a member true, correct, complete and current copies of such records of the funding portal that are requested by the representatives of the Commission and the registered national securities association.

³ Exchange Act Section 3(h)(1)(C) permits us to impose, as part of our authority to exempt funding portals from broker registration, “such other requirements under [the Exchange Act] as the Commission determines appropriate.”

2. Purpose and Use of the Information Collection

Form Funding Portal will help ensure that the Commission can make information about funding portals transparent and easily accessible to the investing public, including issuers and obligated persons who engage funding portals; investors who may purchase securities through offerings on funding portals; and other regulators. Further, the information provided on Form Funding Portal will expand the amount of publicly available information about funding portals, including disciplinary history. Consequently, the final rules and forms will allow issuers and the investing public, as well as others, to become more fully informed about funding portals in a more efficient manner.

In addition, the requirement that each funding portal register with the Commission on Form Funding Portal will help ensure that the Commission has information to oversee respondents and their activities in the crowdfunding securities market effectively. In particular, the information provided in Form Funding Portal will be used in oversight of funding portals, including, among other things, assessing a funding portal's application and performing examinations of funding portals. Moreover, Form Funding Portal will enable the Commission to obtain an accurate estimate of the number of funding portals; analyze data regarding the various types of funding portals; and evaluate the disciplinary history of funding portals and associated persons, including regulatory, civil, and criminal proceedings.

The requirement that a funding portal file amendments to Form Funding Portal will help ensure the availability of up-to-date information about funding portals and their associated persons. In addition, the requirement that a funding portal file Form Funding Portal-W to withdraw from registration will inform the Commission that a funding portal is no longer engaging in funding portal activities.

The requirement that a funding portal make and keep books and records will help to ensure that records of the respondent's funding portal activities, as well as the activities of its associated persons, exist. The Commission and other regulators could potentially request books and records during an examination to evaluate the funding portal's compliance with the Exchange Act, the rules thereunder, as well as for other regulatory purposes.

The requirement that a nonresident funding portal complete Schedule C of Form Funding Portal, furnish an agent for service of process, and make certain certifications, will help minimize legal or logistical obstacles that the Commission may encounter when attempting to effect service, conserve Commission resources, and avoid potential conflicts of law. The requirement that a nonresident funding portal provide an opinion of counsel on Form Funding Portal will help ensure that such nonresident funding portal can provide access to its books and records and submit to inspection and examination by the Commission.

3. Consideration Given to Information Technology

The rules will require respondents and registered funding portals to electronically file Forms Funding Portal, Funding Portal/A, and Funding Portal-W through the Commission's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR"). By requiring submission of information through EDGAR, Commission staff will be able to efficiently retrieve

and analyze the data it needs, which should enhance the Commission's ability to carry out its mission with respect to funding portal activities effectively. Issuers, the general public, and others will also be able to access information about funding portals electronically through the Commission's EDGAR system. Information submitted on Form Funding Portal will also be ASCII or HTML format, which may improve the Commission staff's ability to retrieve and analyze data and could allow funding issuers, the general public and others to perform better research into funding portals.

The rules will also require funding portals to make and keep books and records relating to its funding portal activities. Rule 404(c) permits funding portals to maintain and preserve the required records on electronic storage media.

4. Duplication

In adopting these rules, the Commission sought to design a registration process that is similar to other registration processes administered by the Commission. The rules are based on rules applicable to broker-dealers and investment advisers; similarly, Form Funding Portal is based on Form BD. To the extent market participants are familiar with these existing registration processes, the Commission believes that using similar processes to register funding portals will create efficiencies for market participants.

Form Funding Portal, while modeled primarily on Form BD, is designed to capture information regarding the activities of funding portals and the markets that they serve that will not otherwise be captured in other forms. This information will permit the Commission to decide whether to accept an application for registration; to manage the Commission's regulatory and examination programs; and to make such information available to FINRA to better inform its regulation of funding portals. In addition, having information about funding portals in a single location could improve the funding portal selection process.

In addition, requiring funding portals to file a registration form specifically tailored to their funding portal activities is consistent with the broader public interest to make available to the public information about funding portals. The Commission believes that persons seeking to compile, compare, and analyze data pertaining to the entire universe of registered funding portals, and regulators overseeing compliance with the rules and regulations applicable to funding portals, should be able to access relevant information easily within one system.

With respect to the recordkeeping requirements, the Commission has requested documents that are not duplicative to any other Commission requests of funding portals.

5. Effect on Small Entities

Paragraph (a) of Rule 0-10 under the Exchange Act provides that, for purposes of the Regulatory Flexibility Act, "[w]hen used with reference to a broker or dealer, the Commission has defined the term "small entity" to mean a broker or dealer "small broker-dealer" that: (1) had total capital (net worth plus subordinated liabilities) of less than \$500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared pursuant to Rule 17a-5(d) or, if not required to file such statements, a broker or dealer that had total capital (net worth plus subordinated debt) of less than \$500,000 on the last business day of the preceding fiscal year (or

in the time that it has been in business if shorter); and (2) is not affiliated with any person (other than a natural person) that is not a small business or small organization as defined in this release.”⁴ Currently, based on FOCUS Report data,⁵ there are 871 broker-dealers that are classified as “small” entities for purposes of the Regulatory Flexibility Act.⁶ We apply comparable criteria to funding portals that will register under the regulation. Based on discussions with industry participants, we estimate that, of the anticipated 50 funding portals we expect to register under the regulation, 30 will be classified as “small” entities for purposes of the Regulatory Flexibility Act.⁷

The Commission notes that funding portals are required by statute to register with the Commission. As such, the final rules and forms will affect funding portals required to register with the Commission, including small entities. The Commission does not believe differing compliance or reporting requirements or an exemption from coverage of the final rules and forms, or any part thereof, for small funding portals would be appropriate or consistent with investor protection. Because the Commission believes that the protections of Title III of the JOBS Act are intended to apply equally to clients of both large and small funding portals, it would be inconsistent with the purposes of the Exchange Act to specify different requirements for small funding portals under the final rules and forms. Thus, the final rules and forms are designed to impose only those burdens necessary to accomplish the objectives of the JOBS Act and minimize any significant adverse impact on small funding portals.

6. Consequences of Not Conducting Collection

The collection of information under the final rules and forms is designed to establish a permanent registration regime and establish certain recordkeeping requirements for funding portals, as provided in Title III of the JOBS Act. The permanent registration regime will allow the Commission to retrieve and analyze the data it needs more efficiently, which should enhance the Commission’s ability to carry out its mission with respect to funding portal activities effectively. In addition, the permanent registration regime could improve the process through which issuers and investors select funding portals and incentivize funding portals not to engage in misconduct. Absent the collection of information, funding portals would not have a permanent mechanism through which to satisfy the requirement in Section 3(h) of the Exchange Act that the Commission exempt, conditionally or unconditionally, a registered funding portal from the requirement to register as a broker-dealer under Section 15(a)(1) of the Exchange Act.

⁴ See *Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71533 n.1720 (citing 17 CFR 240.0-10(c))

⁵ See *id.* at 71533 n.1721 (“FOCUS Reports, or ‘Financial and Operational Combined Uniform Single’ Reports, are monthly, quarterly, and annual reports that broker-dealers generally are required to file with the Commission and/or self-regulatory organizations pursuant to Exchange Act Rule 17a-5 (17 CFR 240.17a-5)”).

⁶ See *id.* at 71533 n.1722 (citing 17 CFR 240.0-10(a)).

⁷ For PRA purposes, the number of small business entities is calculated by multiplying the number of respondents by the 30/50 percentage or 60%.

In addition, less frequent collection of this information would not allow the Commission and other regulators, issuers or investors to access up-to-date information about funding portals.

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

Since Rule 400(b) requires registered funding portals to file amendments to Form Funding Portal if certain information contained in the forms become inaccurate, it is possible for a registered funding portal to report information to the Commission more often than quarterly. However, this collection of information is necessary to ensure that the Commission, obligated persons, as well as the public have access to current information regarding funding portals registered with the Commission.

Rule 404(a) requires funding portals to maintain and preserve books and records for a period of not less than five years, the first two in an easily accessible place. This rule is modeled on Exchange Act Rules 17a-3 and 17a-4, and Rule 204-2 under the Investment Advisers Act, and OMB has previously approved that collection with the same five-year retention period. This collection of information will help to ensure that records exist of the respondent's business activities and of its associated persons, and that the records could potentially be requested by the Commission and other regulators during an examination to evaluate the funding portal's compliance with the Exchange Act, the rules thereunder, and FINRA rules, as well as for other regulatory purposes.

8. Consultations Outside the Agency

The Commission requested comment on the collection of information requirements in the proposing release in November 2013.⁸ The Commission received comments on its estimates of the costs incurred by intermediaries.⁹ The Commission received one comment specifically addressing Rule 404. The commenter stated that “[u]nder the expectation that crowdfunding portals will be online operations and will almost certainly retain records through digital methods,

⁸ *Crowdfunding*, Exchange Act Release No. 70741, 78 Fed. Reg. 66428, 66559-62 (Nov. 5, 2013).

⁹ *See, e.g.*, Letter from Scott Purcell, Founder and CEO, Arctic Island LLC (Dec. 31, 2013); Letter from Scott Purcell, CapSchedule.com, LLC, Oct. 23, 2013; Letter from David R. Burton, Senior Fellow in Economic Policy, The Heritage Foundation (Feb. 3, 2014); Letter from Bryan Healey, CEO, Joinvestor (Jan. 2, 2014); Letter from Karen Kerrigan, President & CEO, Small Business & Entrepreneurship Council, Feb. 3, 2014; Letter from Max Silverman, COO, Seed & Spark (Feb. 3, 2014); Letter from Charles V. Rossi, Chairman, STA Board Advisory Committee, The Securities Transfer Association, Inc., Dec. 18, 2013, <http://www.sec.gov/comments/s7-09-13/s70913.shtml>. *See also* Letter from Kit Hayes, Campaign Director, Peers.org (Feb. 7, 2014) (recommending a lessened paperwork burden in general), <http://www.sec.gov/comments/s7-09-13/s70913.shtml>.

the burden of collection should be minimal.”¹⁰ The Commission agreed “that digital recordkeeping can help to minimize costs” and stated that its “estimates reflect this assessment.”¹¹

9. Payment or Gift

Not applicable.

10. Confidentiality

To the extent the Commission receives confidential information pursuant to submissions on Form Funding Portal, such information will be kept confidential, subject to the provisions of applicable law (e.g., Freedom of Information Act, 5 U.S.C. § 552 (2012)). In particular, the collection of information may include social security numbers of sole proprietors in Form Funding Portal that do not have an EIN number, as well as the social security numbers and dates of birth of direct owners and executive officers that do not have a CRD number. This information is necessary in connection with the Commission’s enforcement and examination functions pursuant to Section 15B(c) of the Exchange Act. Guidance is provided in the forms stating that information, such as social security numbers or dates of births, will not be included in publicly available versions of the form.

11. Sensitive Questions

As discussed above in Item 10, the collection of information includes Personally Identifiable Information (“PII”).¹² In particular, the collection of information may include SSNs of funding portals that do not have an EIN number, as well as the social security numbers and dates of birth of direct owners and executive officers that do not have a CRD number.

The Commission has also published a System of Records Notice for the collection of information relating to funding portals.¹³ In addition, a Privacy Impact Assessment (“PIA”) has been completed for the EDGAR system.¹⁴

¹⁰ Letter from Bryan Healey, CEO, Joinvestor (Jan. 2, 2014), <http://www.sec.gov/comments/s7-09-13/s70913.shtml>.

¹¹ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71532.

¹² The term “Personally Identifiable Information” refers to information which can be used to distinguish or trace an individual’s identity, such as their name, social security number, biometric records, etc. alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother’s maiden name, etc.

¹³ *See System of Records Notices SEC-55, SEC-49 and SEC-1* available at <http://www.sec.gov/about/privacy/secprivacyoffice.htm>.

¹⁴ The PIA will be included in the PRA submission to OMB.

12. Burden of Information Collection

a. Rule 400: Registration of Funding Portals

i. Form Funding Portal: Application for Funding Portal Registration

The initial application for funding portals under Form Funding Portal is a one-time reporting burden. The Commission estimates this collection of information will apply to approximately 50 funding portals during the first year and each year thereafter, totaling 150 during the first three years following effectiveness of the rule. This estimate assumes that, upon effectiveness of the rules, about 15% of the approximately 200 U.S.-based crowdfunding portals¹⁵ currently in existence will participate in securities-based crowdfunding and that the number of crowdfunding portals will grow at 60% per year over the next three years.¹⁶ Therefore, we estimate that an average of approximately 50 respondents will register as funding portals annually.¹⁷ Of those 50 funding portals, we estimate that two will be nonresident funding

¹⁵ This estimate is based in part on an industry estimate that, as of April 2012, there were approximately 200 non-securities-based crowdfunding portals operating in the United States. See Massolution, *Crowdfunding Industry Report: Market Trends, Composition and Crowdfunding Platforms* 16 (Abridged) (May 2012), available at <http://www.crowdsourcing.org/document/crowdfunding-industry-report-abridgedversion-market-trends-composition-and-crowdfunding-platforms/14277> (“Massolution 2012”). We did not receive comment on these estimates and therefore continue to believe our estimates in the Proposing Release are appropriate. See also Massolution, *2015CF Crowdfunding Industry Report: Market Trends, Composition and Crowdfunding Platforms* 85, available at http://reports.crowdsourcing.org/index.php?route=product/product&product_id=54 (“Massolution 2015”) (estimating that, as of December 2014, there were approximately 375 crowdfunding portals operating in North America, not just the United States).

¹⁶ A worldwide survey of crowdfunding portals indicated that, in 2011, approximately 14.8% of the surveyed crowdfunding portals (mostly based in Europe) participated in “equity-based” crowdfunding. Massolution 2012 at 16. Also, the total number of crowdfunding portals worldwide grew by an estimated 60% from 2011 to 2012. *Id.* at 13. We did not receive comment on these estimates and therefore continue to believe our estimates in the Proposing Release are appropriate. See also Massolution 2015 at 82-83 (estimating that, as of December 2014, there were approximately 1250 crowdfunding portals worldwide compared to 813 worldwide in 2012, which represents an increase of approximately 54%).

¹⁷ 200 U.S.-based crowdfunding portals × 15% (estimated percentage of crowdfunding portals that will participate in securities-based crowdfunding) = 30 funding portals that will participate in securities-based crowdfunding in the first year. Assuming 60% growth over three years, the number of registered funding portals will be 30 during the first year, 48 during the second year and 77 during the third year. The average over three years is approximately 50 funding portals per year $((30 + 48 + 77) \div 3 = 52$, or approximately 50).

portals. These estimates are based in part on current indications of interest expressed in responses to FINRA’s voluntary interim form for funding portals. The Commission also estimates that approximately 50 new funding portals will register on Form Funding Portal each year for the first three years. This estimate is based on Form BD registration data. Over the three years of the information collection, the total estimated number of Form Funding Portal respondents will be 150.¹⁸

We estimate the burden for registering as a funding portal with us based upon the existing burdens for completing and filing Form BD.¹⁹ Consequently, we estimate that it will take a resident funding portal 2.75 hours to complete Form Funding Portal. For the first year, the total hours required for resident funding portals to register with us will be approximately 137.5 hours.²⁰

In summary, the Commission estimates that, over a three-year period, the total reporting burden for the completion and submission of Form Funding Portal will be 412.5 hours, or 137.5 hours per year²¹ when annualized over three years. The total burden per respondent will be 2.75 hours, or 0.92 hours per year²² when annualized over three years.

ii. Registered National Securities Association Membership

The requirement that newly-registered intermediaries will be required to become members of a registered national securities association is a one-time third party disclosure burden. In the Proposing Release, the Commission included an estimate of PRA burdens and costs for newly-registered intermediaries to become and remain members of FINRA or any other registered national securities association. The Commission, however, stated in the Adopting

¹⁸ 50 (estimated number of Form Funding Portal applicants Y^1) + 50 (estimated number of Form Funding Portal applicants Y^2) + 50 (estimated number of Form Funding Portal applicants Y^3) = 150 .

¹⁹ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526 n.1657 (“While it is likely that the time necessary to complete Form BD varies depending on the nature and complexity of the entity’s securities business, we currently estimate the average time necessary for a broker-dealer to complete and file an application for broker-dealer registration on Form BD to be approximately 2.75 hours. We also estimate that the time burden to register as a funding portal on Form Funding Portal will be, for purposes of this PRA analysis, the same as the time required to complete and file Form BD because the information required for that form is similar.”).

²⁰ 2.75 hours/respondent \times 50 funding portals Y^1 = 137.5 hours. In addition, those entities that register as nonresident funding portals will face an additional burden, which is accounted for below. *See infra* A.12.v.

²¹ Y^1 (2.75 hours \times 50 new funding portals) + Y^2 (2.75 hours \times 50 new funding portals) + Y^3 (2.75 hours \times 50 new funding portals) = 412.5 hours \div 3 = 137.5 hours per year.

²² 412.5 hours (total annual reporting burden) \div 150 (total funding portals by end of Y^3) = 2.75 hours \div 3 = $.92$ hours per respondent.

Release that “after further consideration, the Commission does not believe the hour burdens and costs associated with FINRA’s membership constitute paperwork burdens and costs attributable to the Commission’s rules.”²³ Therefore, we are not providing estimates of burdens and costs resulting from membership in a registered national securities association.

iii. Form Funding Portal/A: Amendment to Registration

Once registered, funding portals will need to file an amended Form Funding Portal when information it originally reported on Form Funding Portal changes or becomes inaccurate. Such amendments will be an on-going reporting burden. The Commission estimates that each funding portal will need to submit approximately 3.2 amendments per year. This figure is based on the number of amended Forms BD we received from October 1, 2011 through September 15, 2015.²⁴

We estimate that the average time necessary to complete an amended Form Funding Portal will be approximately 0.33 hours (*i.e.*, 20 minutes per amendment). This figure is based on previous estimates of the average time necessary to complete an amended Form BD, which is a similar form.²⁵ Thus, we estimate that the total annual burden hours for funding portals to complete and file amended Forms Funding Portal will be approximately 52.8 hours for the first year.²⁶

In summary, the Commission estimates that, over a three-year period, the total ongoing reporting burden will be 316.8 hours, or 105.6 hours per year²⁷ when annualized

²³ See *Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526.

²⁴ We received 15,491, 13,271, 12,902, 14,330 and 10,848 amended Forms BD during the fiscal years ending 2011, 2012, 2013, 2014 and 2015, respectively, reflecting an average of 13,368 amendment filings per year $(15,491 + 13,271 + 12,902 + 14,330 + 10,848) / 5$ years). As of September 15, 2015, there were 4,213 broker-dealers registered with the Commission. Therefore, we estimate that there are approximately 3.17 amendments $(13,368 \text{ amended Forms BD} / 4,213 \text{ broker-dealers})$ per registered broker-dealer per year. We estimate that funding portals will need to file amendments at approximately the same rate. We estimated 3.4 amendments per year per funding portal in the PRA for the proposed rules. However, we have changed this estimate based on more current information regarding broker-dealer Form BD amendments.

²⁵ See *Regulation Crowdfunding*, Exchange Act Release No. Exchange Act Release No. 76324, 80 Fed. Reg. at 71526 n.1663 (“We currently estimate that the average time necessary to complete an amended Form BD to be approximately 20 minutes, or 0.33 hours. We estimate that an amendment to Form Funding Portal will take the same amount of time as an amendment to Form BD because the forms are similar.”).

²⁶ $50 \text{ (funding portals in } Y^1) \times 3.2 \text{ (amendments per year)} \times 0.33 \text{ hours (estimated time per amendment)} = 52.8 \text{ hours.}$

²⁷ $Y^1 \text{ (50 funding portals)} \times 3.2 \text{ amendments per year} \times .33 \text{ hours per amendment)} + Y^2 \text{ (100 funding portals)} \times 3.2 \text{ amendments per year} \times .33 \text{ hours per amendment)} + Y^3 \text{ (150}$

over three years. The total reporting burden per respondent to amend Form Funding Portal will be 2.11 hours, or 0.70 hours per year²⁸ when annualized over three years.

iv. Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal

We take into consideration funding portals that register to engage in crowdfunding transactions conducted in reliance on Section 4(a)(6) may eventually decide to withdraw their registration. Withdrawal from Form Funding portal is a one-time reporting burden requiring the entity to complete and file with us Form Funding Portal-W. We estimate that approximately five funding portals may choose to withdraw from registration each year.²⁹ Over three years of the information collection, the total estimated number of Form Funding Portal-W respondents will be 15.³⁰

The Commission estimates that the average amount of time for a funding portal to complete Form Funding Portal-W will be 0.25 hours. This figure is based on the burden estimate for completing Form BDW.³¹ Thus, the Commission estimates a total burden of 1.25 hours for the first year.³²

funding portals \times 3.2 amendments per year \times .33 hours per amendment) = 316.8 hours \div 3 = 105.6 hours per year.

²⁸ 316.8 (total annual reporting burden to amend Form Funding Portal) \div 150 (total funding portals at the end of Y³) = 2.11 hours \div 3 = .70 hours per respondent.

²⁹ We estimate that the percentage of registered funding portals participating in crowdfunding transactions in reliance on Section 4(a)(6) that will withdraw from registration annually will be the same as the percentage of broker-dealers that withdraw from registration annually (10%) because of the similarity of the businesses. Of our estimate of 50 registered funding portals participating in crowdfunding transactions in reliance on Section 4(a)(6), we estimate that approximately five funding portals per year (50 registered funding portals \times 10%) will withdraw from registration. For funding portals, a decision to withdraw registration will be required to be reported to us in the same way as an amendment; however, for broker-dealers, withdrawal requires the filing of Form BDW. We previously estimated six funding portals per year would withdraw from registration (50 registered funding portals \times 11%). However, we have changed this estimate based on more current information regarding broker-dealer withdrawals. *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71526 n.1660.

³⁰ 5 (estimated number of Form Funding Portal-W applicants Y¹) + 5 (estimated number of Form Funding Portal-W applicants Y²) + 5 (estimated number of Form Funding Portal-W applicants Y³) = 15 applicants.

³¹ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71526 n.1658.

³² 0.25 hours (burden for Form Funding Portal-W) \times 5 funding portals (estimated number of Form Funding Portal-W applicants Y¹) = 1.25 hours. We previously estimated it would

In summary, the Commission estimates that, over a three-year period, the total reporting burden for the completion of Form Funding Portal-W will be 3.75 hours, or approximately 1.25 hours per year³³ when annualized over three years. The total one-time reporting burden will be 0.25 hours per respondent, or 0.08 hours per year³⁴ when annualized over three years.

- v. Form Funding Portal: Completion of Schedule C, Designation of U.S. Agent for Service of Process and Opinion of Counsel for Nonresident

The designation of a U.S. agent for service of process is a one-time reporting burden. The Commission estimates that there will be approximately two nonresident funding portal respondents each year. Those nonresident funding portal respondents will need to complete Schedule C of Form Funding Portal (including the required certifications), provide an opinion of counsel, and document the appointment of an agent for service of process.

The Commission estimates that the average amount of time to complete Schedule C of Form Funding Portal and make the required certifications will be half an hour.³⁵ Thus, the Commission estimates that the total burden to complete Schedule C of Form Funding Portal and make the required certifications will be approximately one hour for the first year.³⁶ In addition, each nonresident funding portal must provide an opinion of counsel on Form Funding Portal. The Commission estimates that the average initial reporting burden to provide an opinion of counsel will be one hour.³⁷ Thus, Commission estimates that the total internal burden to provide

take 1 hour to complete Form Funding Portal-W; however we have changed the estimate for completing Form Funding Portal-W to 0.25 hours based on the current estimate for completing Form BDW.

³³ $Y^1 (5 \text{ funding portals} \times 0.25 \text{ hours}) + Y^2 (5 \text{ funding portals} \times 0.25 \text{ hours}) + Y^3 (5 \text{ funding portals} \times 0.25 \text{ hours}) = 3.75 \text{ hours} \div 3 = 1.25 \text{ hours per year.}$

³⁴ $3.75 \text{ hours (total burden to complete Form Funding Portal-W, over three years)} \div 15 \text{ (total estimated number of entities withdrawing from Form Funding Portal registration by end of } Y^3) = 0.25 \text{ hours} \div 3 = 0.08 \text{ hours per respondent.}$

³⁵ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526. Although the PRA submission for the proposed rules had a time burden that differed from the burden in the Proposing Release (1.5 hours vs. half an hour), the Commission received no comments about the estimates in the Proposing Release and determined the Proposing Release estimates were appropriate to use in the Adopting Release.

³⁶ $2 \text{ (firms expected to file Schedule C of Form Funding Portal } Y^1) \times 0.5 \text{ hours (average estimated time to complete Schedule C of Form Funding Portal)} = 1 \text{ hour.}$

³⁷ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526. Although the PRA submission for the proposed rules had a time burden that differed from the burden in the Proposing Release (3 hours vs. one hour), the Commission received no comments about the estimates in the Proposing Release and determined the Proposing Release estimates were appropriate to use in the Adopting Release.

an opinion of counsel will be two hours for the first year.³⁸ Each nonresident funding portal must hire an agent for the service of process. The Commission estimates that the average initial reporting burden to document the appointment of an agent for the service of process will be half an hour per nonresident funding portal, or one hour total for the first year.³⁹

Thus, the Commission estimates that each nonresident funding portal will face a one-time registration burden of two hours to complete Schedule C and make the required certifications, provide an opinion of counsel, and document the appointment of an agent for the service of process.⁴⁰ After the first year, the Commission estimates there will be approximately two new nonresident funding portal respondents each year. The Commission estimates that these respondents will face the same burden as the first year respondents. Thus, after the first year, the Commission estimates an initial reporting burden of 4 hours per year.⁴¹

In summary, the Commission estimates that, over a three-year period, the total additional one-time reporting burden for nonresident funding portal respondents will be 12 hours, or approximately 4 hours per year⁴² when annualized over three years. The average burden for each nonresident funding portal will be approximately 2 hours, or 0.67 hours per year⁴³ when annualized over three years.

b. Rule 404: Books and Records to Be Made and Maintained by Funding Portals

The maintenance of books and records is an ongoing annual recordkeeping burden. The Commission estimates that this collection of information will apply to 50 funding portals in the first year, 50 additional funding portals in the second year, and 50 additional funding portals in

³⁸ 2 (nonresident funding portals expected to provide opinion of counsel Y^1) \times 1 hour (average estimated time to provide an opinion of counsel) = 2 hours.

³⁹ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526. 0.5 hours \times 2 (nonresident funding portals expected to register as funding portal Y^1) = 1 hour.

⁴⁰ 0.5 hours (to complete Schedule C) + 1 hour (to provide opinion of counsel) + 0.5 hours (to document the appointment of an agent for service of process) = 2 hours per funding portal, or 4 hours total for the first year (2 hours \times 2 nonresident funding portals Y^1).

⁴¹ 0.5 hours (Schedule C) + 1 hour (opinion of counsel) + 0.5 hours (agent) \times 2 (estimated nonresident funding portal applicants) = 4 hours per year, or 8 hours total over years two and three (2 hours \times 4 total new nonresident funding portals over Y^2 and Y^3).

⁴² 6 (nonresident funding portals expected to register at the end of Y^3) \times 2 hours (average estimated time to complete Schedule C, provide opinion of counsel, and document the appointment of an agent for service of process) = 12 hours \div 3 = 4 hours per year.

⁴³ 12 (estimated additional burden to register over three years) \div 6 (estimated number of nonresident funding portals to register over three years) = 2 hours \div 3 = 0.67 hours per respondent.

the third year, which totals 150 funding portals for years one through three.

The Commission estimates that the average annual burden for funding portals to comply with the recordkeeping requirements will be approximately 325 hours per respondent.⁴⁴ The Commission currently estimates the annual recordkeeping burden for broker-dealer compliance with Rule 17a-3 to be 394.16 hours per respondent, and the most recently approved annual recordkeeping burden for broker-dealer compliance with Rule 17a-4 to be 249 hours per respondent.⁴⁵ We expect the burden of the rules will likely be less than that of Rules 17a-3 and 17a-4. For the purposes of the PRA, we assume that the recordkeeping burden, on average, for a funding portal to comply with the rules will be 50% of the burdens of a broker-dealer to comply with Rules 17a-3 and 17a-4. Therefore, we estimate the first year burden to be 325 hours per respondent, or 16,250 hours total for the first year.⁴⁶ We expect the ongoing recordkeeping burden for funding portals will also be approximately 325 hours per respondent, because maintaining such records will be consistent each year.

In summary, the Commission estimates that, over a three-year period, the total recordkeeping burden will be 97,500 hours, or 32,500 hours per year⁴⁷ when annualized over three years. The total recordkeeping burden per respondent will be 650 hours, or 216.67 hours per year⁴⁸ when annualized over three years.

c. Rule 403: Compliance Policies and Procedures

All registered funding portals will be required to implement written policies and procedures reasonably designed to achieve compliance with the federal securities laws and the rules and regulations thereunder. Based on discussion with industry participants, we estimate that 50 funding portals in year one will each spend approximately 40 hours to establish written policies and procedures to achieve compliance with these requirements. This will result in an initial recordkeeping burden of 2,000 hours in the first year.⁴⁹ The Commission expects an average of 50 new funding portals to register in each subsequent year, these funding portals must

⁴⁴ $394.16 \text{ hours (recordkeeping burden for Rule 17a-3)} + 249 \text{ hours (recordkeeping burden for Rule 17a-4)} \times 50\% = 321.58.$

⁴⁵ *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71531.

⁴⁶ $325 \text{ hours} \times 50 \text{ funding portals in } Y^1 = 16,250 \text{ hours.}$

⁴⁷ $Y^1 \text{ recordkeeping burden (} 325 \text{ hours} \times 50 \text{ funding portals)} + Y^2 \text{ recordkeeping burden (} 325 \text{ hours} \times 100 \text{ funding portals)} + Y^3 \text{ recordkeeping burden (} 325 \text{ hours} \times 150 \text{ funding portals)} = 97,500 \text{ hours} \div 3 = 32,500 \text{ hours per year.}$

⁴⁸ $97,500 \text{ hours (total recordkeeping burden over three years)} \div 150 \text{ (number of funding portals at the end of } Y^3) = 650 \text{ hours} \div 3 = 216.67 \text{ hours per respondent.}$

⁴⁹ $40 \text{ hours} \times 50 \text{ funding portals in } Y^1 = 2,000 \text{ hours.}$

also establish written policies and procedures. Thus, the Commission estimates a total one-time burden of 6,000 hours to establish written policies and procedures over three years.⁵⁰

We estimate that, on an ongoing basis, funding portals will spend approximately 5 hours per year updating, as necessary, the policies and procedures required by the rules. This will result in an aggregate ongoing recordkeeping burden of 1,500 hours over three years.⁵¹

In summary, the Commission estimates that, over a three-year period, the total recordkeeping burden to establish and maintain compliance policies and procedures will be 7,500 hours, or 2,500 per year⁵² when annualized over three years. The total estimated burden per funding portal will be 50 hours, or 16.67 hours per year⁵³ when annualized over three years.

d. Rule 403: Compliance Privacy

i. Regulation S-P

We estimate that all funding portals will be subject to the requirements of Regulation S-P under the regulation. In developing an estimate we have considered: (1) the minimal recordkeeping burden imposed by Regulation S-P (Regulation S-P has no recordkeeping requirement, and records relating to customer communications already must be made and retained pursuant to other Commission rules); (2) the summary fashion in which information must be provided to investors in the privacy and opt-out notices required by Regulation S-P (the model privacy form adopted by the Commission and the other agencies in 2009, designed to serve as both a privacy notice and an opt-out notice, is only two pages); and (3) the availability of the model privacy form and online model privacy form builder. Given these considerations and with the aid of our institutional knowledge, we estimate that each funding portal will spend, on an ongoing basis, an average of approximately 12 hours per year complying with the information collection requirement of Regulation S-P, for a total of approximately 600 burden hours in the first year.⁵⁴

⁵⁰ Y^1 one-time burden (40 hours \times 50 new funding portals) + Y^2 one-time burden (40 hours \times 50 new funding portals) + Y^3 one-time burden (40 hours \times 50 new funding portals) = 6,000 hours.

⁵¹ Y^1 ongoing burden (5 hours \times 50 funding portals) + Y^2 ongoing burden (5 hours \times 100 funding portals) + Y^3 ongoing burden (5 hours \times 150 funding portals) = 1,500 hours.

⁵² 6,000 hours (total one-time burden) + 1,500 hours (total ongoing burden) = 7,500 hours \div 3 = 2,500 hours per year.

⁵³ 7,500 hours (total burden to establish and maintain compliance policies and procedures) \div 150 (estimated number of funding portals at the end of Y^3) = 50 hours \div 3 = 16.67 hours per respondent.

⁵⁴ 12 hours \times 50 funding portals in Y^1 = 600 hours.

In summary, the Commission estimates that, over a three-year period, the total third-party disclosure burden for Regulation S-P will be 3,600 hours, or 1,200 hours per year⁵⁵ when annualized over three years. The reporting burden per respondent will be approximately 24 hours per respondent, or approximately 8 hours per year⁵⁶ when annualized over three years.

ii. Regulation S-AM

Regulation S-AM will require funding portals to provide a notice to each affected individual informing the individual of his or her right to prohibit such marketing before a receiving affiliate may make marketing solicitations based on the communication of certain consumer financial information from the broker. Based on the discussion with industry participants, we estimate that approximately 20 funding portals will have affiliations that will subject them to the requirements of Regulation S-AM under the regulation in the first year. For each subsequent year, we estimate that approximately the same number of new funding portals each year will also be subject to the requirements of Regulation S-AM. Accordingly, we estimate the total number of funding portals subject to S-AM will be 60 over three years.⁵⁷

We estimate that each new funding portal will require an average one-time burden of 1 hour to review affiliate marketing practices, for a total of 60 hours over three years.⁵⁸ We also estimate that each new funding portal will be required to provide notice and opt-out opportunities to consumers pursuant to the requirements of Regulation S-AM and that they will incur an average first-year burden of 18 hours in doing so, for a total estimated burden of 1,080 hours over three years.⁵⁹ We estimate that funding portals will incur an ongoing burden related to the requirements of Regulation S-AM to provide notice and opt-out opportunities of approximately 4 hours per respondent per year to create and deliver notices to new investors and record any opt-

⁵⁵ Y^1 ongoing burden (12 hours \times 50 funding portals) + Y^2 ongoing burden (12 hours \times 100 funding portals) + Y^3 ongoing burden (12 hours \times 150 funding portals) = 3,600 hours \div 3 = 1,200 hours per year.

⁵⁶ 3,600 hours (total burden for Regulation S-P over three years) \div 150 (total funding portals at the end of Y^3) = 24 hours \div 3 = 8 hours per respondent.

⁵⁷ 20 (new funding portals Y^1) + 20 (new funding portals in Y^2) + 20 (new funding portals in Y^3) = 60.

⁵⁸ Y^1 initial burden to review marketing practices (1 hour \times 20 new funding portals) + Y^2 initial burden to review marketing practices (1 hour \times 20 new funding portals) + Y^3 initial burden to review marketing practices (1 hour \times 20 new funding portals) = 60 hours.

⁵⁹ Y^1 initial burden (18 hours \times 20 new funding portals) + Y^2 initial burden (18 hours \times 20 new funding portals) + Y^3 initial burden (18 hours \times 20 new funding portals) = 1,080 hours.

outs that are received on an ongoing basis, for a total of approximately 480 burden hours over three years.⁶⁰

In summary, the Commission estimates that, over a three-year period, the total third-party disclosure burden for Regulation S-AM will be 1,620 hours, or 540 hours per year⁶¹ when annualized over three years. The estimated total burden per respondent will be 27 hours, or 9 hours per year⁶² when annualized over three years.

iii. Regulation S-ID

Regulation S-ID generally will require funding portals to develop and implement a written identity theft prevention program that is designed to detect, prevent and mitigate identity theft in connection with certain existing accounts or the opening of new accounts. We estimate that all funding portals will need to comply with Regulation S-ID.

Based on our institutional knowledge, we estimate that the initial burden for funding portals to comply with the applicable portions of Regulation S-ID will be (1) 25 hours to develop and obtain board approval of a program; (2) 4 hours to train staff; and (3) 2 hours to conduct an initial assessment of relevant accounts, for a total of 31 hours per funding portal.⁶³ We estimate that all funding portals will incur this one-time burden, resulting in an aggregate time burden of 4,650 hours over three years.⁶⁴

With respect to the requirements of Regulation S-ID, we estimate that the ongoing burden per year will include: (1) 2 hours to periodically review and update the program, review and preserve contracts with service providers and review and preserve any documentation received from service providers; (2) 4 hours to prepare and present an annual report to a compliance director; and (3) 2 hours to conduct periodic assessments to determine if the entity offers or maintains covered accounts for a total of 8 hours,⁶⁵ of which we estimate 7 hours will be spent by internal counsel and 1 hour will be spent by a compliance officer. We estimate that all

⁶⁰ Y^1 ongoing burden (4 hours \times 20 funding portals) + Y^2 ongoing burden (4 hours \times 40 funding portals) + Y^3 ongoing burden (4 hours \times 60 funding portals) = 480 hours.

⁶¹ 60 hours (to review affiliate marketing practices) + 1,080 hours (to provide notice and opt-out opportunities to consumers) + 480 hours (to create and deliver notices to new investors and record any opt-outs that are received) = 1,620 hours \div 3 = 540 hours per year.

⁶² 1,620 hours (total estimated burden over three years) \div 60 (estimated number of respondents at the end of Y^3) = 27 hours \div 3 = 9 hours per respondent.

⁶³ 25 hours + 4 hours + 2 hours = 31 hours.

⁶⁴ Y^1 one-time burden (31 hours \times 50 new funding portals) + Y^2 one-time burden (31 hours \times 50 new funding portals) + Y^3 one time burden (31 hours \times 50 new funding portals) = 4,650 hours.

⁶⁵ 2 hours + 4 hours + 2 hours = 8 hours.

funding portals will incur this ongoing time burden, resulting in an aggregate burden of 2,400 hours over three years.⁶⁶

In summary, the Commission estimates that, over a three-year period, the total recordkeeping burden for Regulation S-ID will be 7,050 hours, or 2,350⁶⁷ hours annualized over three years. The estimated total burden per respondent will be 47 hours, or 15.67 hours per year⁶⁸ when annualized over three years.

⁶⁶ Y^1 ongoing burden (8 hours \times 50 funding portals) + Y^2 ongoing burden (8 hours \times 100 funding portals) + Y^3 ongoing burden (8 hours \times 150 funding portals) = 2,400 hours.

⁶⁷ $4,650$ (total initial burden by the end of Y^3) + $2,400$ (total ongoing burden by the end of Y^3) = $7,050$ hours \div 3 = $2,350$ hours per year.

⁶⁸ $7,050$ hours (total estimated burden over three years) \div 150 (estimated number of funding portals by the end of Y^3) = 47 hours \div 3 = 15.67 hours per respondent.

e. Summary of Hourly Burdens

The table below summarizes the Commission’s estimates of the total hourly reporting burden for all respondents under Regulation Crowdfunding.

Crowdfunding PRA - Funding Portals - Hourly Burden									
	<u>Nature of Information Collection Burden</u>	<u>Type of Burden</u>	<u>Number of Respondents</u>	<u>Number of Responses Per Year</u>	<u>Initial Burden Per Response Per Year Per Respondent</u>	<u>Ongoing Burden Per Response Per Year Per Respondent</u>	<u>Annualized Burden Estimate Per Respondent</u>	<u>Annualized Hourly Burden Estimate Industry-Wide</u>	<u>Small Business Entities Affected</u>
a.	<u>Rule 400: Registration of Funding Portals</u>								
i.	Form Funding Portal: Application for Funding Portal Registration	Reporting	150	1	0.92	-	0.92	137.50	90.0
ii.	Registered National Securities Association Membership	Third-Party Disclosure	150	1	-	-	-	-	90.0
iii.	Form Funding Portal/A: Amendment to Registration	Reporting	150	3.2	-	0.22	0.70	105.60	90.0
iv.	Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal	Reporting	15	1	0.08	-	0.08	1.25	9.0
v.	Form Funding Portal: Designation of U.S. Agent for Service of Process and Opinion of Counsel for Nonresident	Reporting	6	1	0.67	-	0.67	4.00	3.6
b.	<u>Rule 404: Books and Records to Be Made and Maintained by Funding Portals</u>	Recordkeeping	150	1	-	216.67	216.67	32,500.00	90.0
c.	<u>Rule 403: Compliance Policies and Procedures</u>	Recordkeeping	150	1	13.33	3.33	16.67	2,500.00	90.0
d.	<u>Rule 403: Compliance Privacy</u>								
i.	Regulation S-P	Third-Party Disclosure	150	1	8.00	-	8.00	1,200.00	90.0
ii.	Regulation S-AM	Third-Party Disclosure	60	1	6.33	2.67	9.00	540.00	36.0
iii.	Regulation S-ID	Recordkeeping	150	1	10.33	5.33	15.67	2,350.00	90.0
								39,338.35	

13. Costs to Respondents

a. Rule 400: Registration of Funding Portals

i. Form Funding Portal: Application for Funding Portal Registration

We estimated the initial registration costs for funding portals to become members of a national securities association in the PRA submission for the proposed rules. As explained in further detail above, the Commission determined not to provide estimates of burdens and costs resulting from membership in a registered national securities association in the PRA analysis in the Adopting Release.⁶⁹

⁶⁹ See *supra* 12.a.ii.

ii. Registered National Securities Association Membership

As explained in further detail above, the Commission determined not to provide estimates of burdens and costs resulting from membership in a registered national securities association in the PRA analysis in the Adopting Release.⁷⁰

iii. Form Funding Portal/A: Amendment to Registration

Not applicable.

iv. Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal

Not applicable.

v. Form Funding Portal: Designation of U.S. Agent for Service of Process and Obtain an Opinion of Counsel for Nonresident

The Commission estimates that two nonresident funding portals will register each year, for a total of six nonresident funding portals total over three years. These funding portals will face an additional initial cost to retain an agent for the service of process, and provide an opinion of counsel to register as a nonresident funding portal.

The Commission estimates that this initial cost for nonresident funding portals will be approximately \$25,179 to retain an agent for the service of process and provide an opinion of counsel.⁷¹ Over three years, the initial additional cost across all nonresident funding portals will be approximately \$151,074.⁷²

⁷⁰ See *supra* 12.a.ii.

⁷¹ See *Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71527 n. 1665 (“We have altered our cost estimates slightly from the Proposing Release (from \$25,130 to \$25,179) and note that the amended estimates are consistent with our recent estimates of what it would cost other types of nonresident entities to retain an agent for service of process and provide an opinion of counsel. See Registration Process for Security-Based Swap Dealers and Major Security-Based Swap Participants, Exchange Act Release No. 34-75611, 80 FR 48964, 48994 (Aug. 14, 2015). We inadvertently included the costs to non-resident funding portals of completing Schedule C in the Proposing Release. We anticipate, however, that nonresident funding portals will incur a time burden rather than a cost burden to complete Schedule C.”).

⁷² $\$25,179 \times 6$ (estimated nonresident funding portals at the end of Y³) = \$151,074. The Commission originally estimated ongoing costs for retaining an agent for service of process, but after closer review has determined it is not likely that there are ongoing costs for retaining such an agent.

In summary, the Commission estimates that, over a three-year period, the total additional cost for all nonresident funding portals to, retain an agent for service of process, and provide an opinion of counsel will be approximately \$151,074, or \$50,358 per year⁷³ when annualized over three years. The total cost per respondent will be \$25,179 per year,⁷⁴ or \$8,393 when annualized over three years.

b. Rule 404: Books and Records to be Made and Maintained by Funding Portals

We assume that a funding portal's initial recordkeeping cost associated with making and keeping records by a funding portal will not be significantly different from the ongoing recordkeeping cost because maintaining such records will be consistent each year. The most recently approved annual recordkeeping cost for broker-dealer compliance with Rule 17a-3 is currently estimated at \$5,706.67 per respondent. These ongoing recordkeeping costs reflect the costs of systems and equipment development. The most recently approved annual recordkeeping cost for broker-dealer compliance with Rule 17a-4 is currently estimated at \$5,000 per respondent. Given the more limited scope of a funding portal's business as compared to that of a broker, the more limited scope of the books and records rules, and the fact that funding portals will be required to make, deliver and store records electronically, we expect the annual recordkeeping cost of the rule requirements will likely be less than that of Rules 17a-3 and 17a-4. For purposes of the PRA, we assume that the annual recordkeeping cost on average for a funding portal to comply with the rule requirements that records be made and kept will be about 50% less than burdens of a broker-dealer to comply with Rules 17a-3 and 17a-4.

Based on the above, we expect the initial recordkeeping cost for funding portals, therefore, to be approximately \$5,350 per respondent,⁷⁵ or \$802,500 total over three years.⁷⁶ We also estimate that the ongoing recordkeeping cost for funding portals after the initial year will be approximately \$5,350 per respondent, or \$802,500 over a three-year period.⁷⁷

In summary, the Commission estimates that, over a three year period, the total cost for all funding portals to comply with Rule 404 will be approximately \$1,605,000, or

⁷³ $\$151,074 \div 3 = \$50,358$ per year.

⁷⁴ $\$151,074(\text{aggregate cost over three years}) \div 6$ (nonresident funding portals at the end of Y^3) = $\$25,179 \div 3 = \$8,393$ per respondent.

⁷⁵ $\$5,706.67$ (recordkeeping cost for Rule 17a-3) + $\$5,000$ (recordkeeping cost for Rule 17a-4) $\times 50\% = \$5,353$, or approximately $\$5,350$.

⁷⁶ Y^1 ($\$5,350 \times 50$ new funding portals in Y^1) + Y^2 ($\$5,350 \times 50$ new funding portals in Y^2) + Y^3 ($\$5,350 \times 50$ new funding portals in Y^3) = $\$802,500$.

⁷⁷ Y^2 ($\$5,350 \times 50$ ongoing funding portals established in Y^1) + Y^3 ($\$5,350 \times 100$ ongoing funding portals established in Y^1 and Y^2) = $\$802,500$.

\$535,000 per year⁷⁸ when annualized over three years. The total cost per respondent will be \$10,700, or \$3,566.67 per year⁷⁹ when annualized over three years.

c. Rule 403: Compliance Policies and Procedures

Not applicable.

d. Rule 403: Compliance Privacy

Not applicable.

⁷⁸ \$802,500 (initial costs) + \$802,500 (ongoing costs) = \$1,605,000 ÷ 3 = \$535,000 per year.

⁷⁹ \$1,605,000 ÷ 150 (funding portals at the end of Y³) = \$10,700 ÷ 3 = \$3,566.67 per respondent.

e. Summary of Cost Burdens

The table below summarizes the Commission’s estimate of the annual cost burdens for funding portals.

Crowdfunding PRA - Funding Portals - Cost Burden									
	<u>Nature of Information Collection Burden</u>	<u>Type of Burden</u>	<u>Number of Respondents</u>	<u>Number of Responses Per Year</u>	<u>Initial Burden Per Response Per Year Per Respondent</u>	<u>Ongoing Burden Per Response Per Year Per Respondent</u>	<u>Annualized Burden Estimate Per Respondent</u>	<u>Annualized Hourly Burden Estimate Industry-Wide</u>	<u>Small Business Entities Affected</u>
a.	<u>Rule 400: Registration of Funding Portals</u>								
i.	Form Funding Portal: Application for Funding Portal Registration	Reporting	150	1	-	-	-	-	90.0
ii.	Registered National Securities Association Membership	Third-Party Disclosure	150	1	-	-	-	-	90.0
iii.	Form Funding Portal/A: Amendment to Registration	Reporting	150	3.2	-	-	-	-	90.0
iv.	Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal	Reporting	15	1	-	-	-	-	9.0
v.	Form Funding Portal: Designation of U.S. Agent for Service of Process and Opinion of Counsel for Nonresident	Reporting	6	1	\$8,393.00	-	\$8,393.00	\$50,358.00	3.6
b.	<u>Rule 404: Books and Records to Be Made and Maintained by Funding Portals</u>	Recordkeeping	150	1	\$1,783.33	\$1,783.33	\$3,566.67	\$535,000.00	90.0
c.	<u>Rule 403: Compliance Policies and Procedures</u>	Recordkeeping	150	1	-	-	-	-	90.0
d.	<u>Rule 403: Compliance Privacy</u>								
i.	Regulation S-P	Third-Party Disclosure	150	1	-	-	-	-	90.0
ii.	Regulation S-AM	Third-Party Disclosure	60	1	-	-	-	-	36.0
iii.	Regulation S-ID	Recordkeeping	150	1	-	-	-	-	90.0
								\$585,358.00	

14. Costs to Federal Government

There will be no additional costs to the Federal Government.

15. Reason for Change

Not applicable. Rules 400 to 404 are new rules.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Display of OMB Approval 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 for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.