

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 15c3-1 – Net Capital Requirements for Brokers or Dealers**

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

**A. Justification**

**1. Necessity of Information Collection**

Rule 15c3-1<sup>1</sup> under the Securities Exchange Act of 1934 (“Exchange Act”)<sup>2</sup> is intended to ensure that broker-dealers registered with the Securities and Exchange Commission (“Commission”) at all times have sufficient liquid capital to protect the assets of customers and to meet their responsibilities to other broker-dealers.<sup>3</sup> Rule 15c3-1 generally defines the term “net capital” as a broker-dealer’s net worth (assets minus liabilities), plus certain subordinated liabilities, less certain assets that are not readily convertible into cash (*e.g.*, fixed assets), and less a percentage (haircut) of certain other liquid assets (*e.g.*, securities).<sup>4</sup>

Rule 15c3-1 is an integral part of the Commission’s financial responsibility program for broker-dealers. In particular, Rule 15c3-1 facilitates the monitoring of the financial condition of broker-dealers by the Commission and the broker-dealer’s designated examining authority (“DEA”). If the information were not required to be collected, the Commission and the DEAs will not be able to monitor the financial condition of broker-dealers, exposing their customers and counterparties to increased risk.

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

Rule 15c3-1 is intended to help ensure that broker-dealers maintain at all times sufficient liquid resources to meet all liabilities, particularly the claims of customers, by requiring that broker-dealers maintain a minimum amount of net capital. A broker-dealer’s minimum net capital requirement is the greater of: (1) a fixed minimum amount set forth in Rule 15c3-1 based on the types of business that the broker-dealer conducts;<sup>5</sup> or (2) a financial ratio.<sup>6</sup> Exchange Act Section 15(c)(3) and Rule 15c3-1 promulgated thereunder prohibit a broker-dealer from effecting transactions in securities while not in compliance with its minimum net capital requirement.

Various provisions of Rule 15c3-1 require that broker-dealers provide written notification to the Commission and/or their DEA under certain circumstances. For example, a broker-dealer

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<sup>1</sup> 17 CFR 240.15c3-1.

<sup>2</sup> 15 U.S.C. § 78 *et seq.*

<sup>3</sup> *See Net Capital Rule*, Exchange Act Release No. 39455 (Dec. 17, 1997), 62 FR 67996 (Dec. 30, 1997).

<sup>4</sup> *See* 17 CFR 240.15c3-1(c)(2).

<sup>5</sup> *See* 17 CFR 240.15c3-1(a)(2)–(9).

<sup>6</sup> *See* 17 CFR 240.15c3-1(a)(1)(i)–(iii).

carrying the account of an options market maker must file a notice with the Commission and the DEA of both the carrying firm and the market maker prior to effecting transactions in the account.<sup>7</sup> In addition, the carrying firm must notify the Commission and the appropriate DEA if a market maker fails to deposit the required equity with the carrying broker-dealer relating to the market maker's account within the prescribed time period or if certain deductions and other amounts relating to the carrying firm's market maker accounts computed in accordance with Rule 15c3-1 exceeds 1,000% of the carrying broker-dealer's net capital.<sup>8</sup> In addition, a broker-dealer electing to compute its net capital using the alternative method under paragraph (a)(1)(ii) of Rule 15c3-1 must notify its DEA of the election in writing, and thereafter must continue to compute its net capital in this manner unless a change is approved upon application to the Commission.<sup>9</sup>

There are also certain recordkeeping requirements under Rule 15c3-1. For example, a broker-dealer must keep a record of who is acting as an agent in a securities loan transaction and records with respect to obtaining DEA approval prior to withdrawing capital within one year of a contribution.<sup>10</sup> These records help the Commission and its staff, as well as DEAs, facilitate the monitoring of the financial condition of broker-dealers.

Appendix C to Rule 15c3-1 requires broker-dealers that consolidate their financial statements with a subsidiary or affiliate, under certain circumstances, to submit to their DEA an opinion of counsel.<sup>11</sup> The opinion of counsel must state, among other things, that the broker-dealer may cause that portion of the net assets of a subsidiary or affiliate related to its ownership interest in the entity to be distributed to the broker-dealer within 30 calendar days.<sup>12</sup>

Appendix E to Rule 15c3-1 provides an alternative method for determining certain net capital charges for certain broker-dealers ("alternative net capital firms" or "ANC firms").<sup>13</sup> Appendix G to Rule 15c3-1 requires the holding company of an ANC firm that has a principal regulator to file certain periodic reports with the Commission, preserve certain records, and notify the Commission of certain events. The notification provisions of Appendix G are designed to give the Commission advance warning of situations that may pose material financial and operational risks to the broker-dealer and its holding company. These provisions are integral to Commission supervision of broker-dealers that use Appendix E.

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

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<sup>7</sup> See 17 CFR 240.15c3-1(a)(6)(vi).

<sup>8</sup> See 17 CFR 240.15c3-1(a)(6)(iv)(B); 17 CFR 240.15c3-1(a)(6)(v).

<sup>9</sup> See 17 CFR 240.15c3-1(a)(1)(ii).

<sup>10</sup> See 17 CFR 240.15c3-1(c)(2)(iv)(B); 17 CFR 240.15c3-1(c)(2)(i)(G)(2).

<sup>11</sup> See 17 CFR 240.15c3-1c(b)(1).

<sup>12</sup> See 17 CFR 240.15c3-1c(b)(2).

<sup>13</sup> See 17 CFR 240.15c3-1e.

The method of computing net capital varies by size and complexity of a broker-dealer. Most large broker-dealers subject to Rule 15c3-1 utilize automated systems for computing their net capital and minimum requirements. Smaller broker-dealers with simple balance sheets may compute their net capital on a manual basis. The information collections however do not require that respondents use any specific information technology system either to prepare or submit information collections under Rule 15c3-3, as amended.

#### **4. Duplication**

We are not aware that this information collection duplicates any existing information collection.

#### **5. Effects on Small Entities**

Small entities may be affected to the extent they are required to maintain a minimum amount of net capital under Rule 15c3-1. However, there are different requirements for small entities subject to Rule 15c3-1. Most of these entities are not affected by the information collection provisions of Rule 15c3-1.

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

If the required activities were not required to be collected, or were required to be conducted less frequently, the Commission and the DEAs will not be able to monitor the financial condition of broker-dealers, exposing their customers and counterparties to increased risk and lessening the protection afforded to the public.

#### **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. No public comments were received.

#### **9. Payment or Gift**

No payments or gifts have been provided to respondents.

#### **10. Confidentiality**

The Commission regards information obtained pursuant to the filings and notices required by Rule 15c3-1 to be confidential. Such information is of a financial nature and generally is not disclosed to the public. The statutory basis for the Commission's refusal to disclose such information to the public is the exemption contained in section (b)(4) of the Freedom of Information Act, 5 U.S.C. 552, which provides that the requirement of public

dissemination does not apply to commercial or financial information which is privileged or confidential.

## **11. Sensitive Questions**

The collections of information do not expressly include Personally Identifiable Information (“PII”).<sup>14</sup> At the same time, however, Commission staff understands that there may be instances when certain information (including, but not limited to, a person’s name, email, or phone number) could be provided by a respondent in response to one of the collections of information. However, Commission staff does not envision any circumstances in which a social security number will be provided pursuant to any of the collections of information. As such, we believe that the treatment of any PII with the collection of information associated with Rule 15c3-1 is not likely to implicate the Federal Information Security Management Act of 2002 or the Privacy Act of 1974.

## **12. Burden of Information Collection**

Based on experience with the industry, the Commission estimates that broker-dealers annually file approximately 902 notices under Rule 15c3-1 and that a broker-dealer will spend approximately 30 minutes preparing and filing these notices. Therefore, the Commission estimates a total annual reporting burden of 451 hours.<sup>15</sup>

Paragraph (c)(2)(iv)(B) of Rule 15c3-1 requires a broker-dealer to make disclosures to, and obtain certain agreements from, securities lending principals in situations where the firm participates in the settlement of a securities lending transaction but wants to be deemed an agent for purposes of Rule 15c3-1. The Commission estimates that 5% of the 122 broker-dealers, or approximately 6 firms, engaged in securities lending will need to modify their standard agreements. The Commission estimates each of these firms will spend approximately 20 hours of employee resources updating their standard agreement template. Therefore, the Commission estimates that the total one-time recordkeeping burden will be approximately 120 hours.<sup>16</sup>

Paragraph (c)(2)(i)(G)(2) of Rule 15c3-1 requires that a broker-dealer treat as a liability any capital contribution that is intended to be withdrawn within one year of its contribution. The amendment also includes the presumption that capital withdrawn within one year of contribution is presumed to have been intended to be withdrawn within one year, unless the broker-dealer receives permission in writing for the withdrawal from its DEA. The Commission estimates that 90 broker-dealers will seek to obtain permission from their DEA in writing to withdraw capital within one year of its contribution, and that it will take a broker-dealer approximately one hour

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<sup>14</sup> 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.

<sup>15</sup> 902 notices x (30 minutes / 60 minutes) = 451 hours.

<sup>16</sup> 6 broker-dealers x 20 hours per firm = 120 hours. The three-year annualized number for this one time burden is 40 hours (120 hours / 3 years = 40), or 6.67 hours per firm.

to prepare and submit the request to its DEA to withdraw capital. Therefore, the Commission estimates that the total annual reporting burden will be approximately 90 hours.<sup>17</sup>

With respect to Appendices E and G of Rule 15c3-1, the following estimates are based on the assumption that 10 broker-dealers will ultimately compute deductions for market risk under Appendix E. Currently, there are 5 ANC firms, and the Commission expects that 5 additional firms will apply to compute deductions for market risk under Appendix E.<sup>18</sup> The Commission estimates that each broker-dealer that applies will incur a one-time recordkeeping burden of approximately 1,000 hours to create and compile the various documents to be included with the application and to work through the application process, with an aggregate one-time recordkeeping burden of 5,000 hours or an annualized burden of 1,666.65 per year.<sup>19</sup>

The Commission estimates that an ANC firm using Appendices E and G to Rule 15c3-1 spends approximately 5,600 hours per year to review and update the models it uses to assess market and credit risk and approximately 160 hours each quarter, or approximately 640 hours per year, to back test the models. Consequently, the Commission estimates that the total annual recordkeeping burden associated with reviewing and back testing mathematical models for the 5 ANC firms will be approximately 31,200 hours,<sup>20</sup> and approximately 20,800 hours<sup>21</sup> for the 5 broker-dealers expected to become ANC firms, resulting in an aggregate annual recordkeeping burden of 52,000 hours.<sup>22</sup>

The Commission estimates that the average amount of time necessary to prepare and file the monthly reports required by Appendix G will be approximately 8 hours per month, or 96 hours per year. The Commission estimates that the average amount of time necessary to prepare and file the quarterly reports will be approximately 16 hours per quarter, or 64 hours per year. The Commission estimates that the average amount of time necessary to prepare and file the annual audit reports will be approximately 200 hours per year. Consequently, the Commission estimates that the total annual reporting burden of Appendix G for the 5 ANC firms will be approximately 1,800 hours,<sup>23</sup> and the total annual reporting burden for the 5 broker-dealers

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<sup>17</sup> 90 broker-dealers x 1 hour = 90 hours.

<sup>18</sup> The Commission expects that these 5 firms will register as ANC firms over the next three years. However, until their registrations are complete, these firms will not be subject to the annual burdens discussed throughout Item 12. Therefore, the Commission has taken this fact into consideration in its calculations.

<sup>19</sup> The three-year annualized number for this one-time burden is 333.33 per firm (1,000 hours / 3 years = 333.33), or 1,666.65 hours for the industry (333.33 hours x 5 firms).

<sup>20</sup> (5,600 hours + 640 hours) x 5 broker-dealers = 31,200 hours.

<sup>21</sup> (Y1: 0 hours) + (Y2: 5,600 hours + 640 hours = 6,240 hours) + (Y3: 5,600 hours + 640 hours = 6,240 hours) = 12,480 hours / 3 years = 4,160 x 5 ANC broker-dealers = 20,800 hours.

<sup>22</sup> 31,200 hours + 20,800 hours = 52,000 hours.

<sup>23</sup> (96 hours + 64 hours + 200 hours) x 5 ANC broker-dealers = 1,800 hours.

expected to become ANC firms will be approximately 1,200 hours,<sup>24</sup> resulting in an aggregate annual reporting burden of 3,000 hours.<sup>25</sup>

The Commission expects that any additional burden associated with the requirements of Appendix G relating to preserving records will be minimal because a prudent firm that manages risk on a group-wide basis will make and preserve these records in the ordinary course of its business. The Commission estimates that the average one-time burden of making and preserving these records will be approximately 40 hours and that the average annual burden will be approximately 290 hours. Consequently, the Commission estimates that the annual recordkeeping burden for the 5 ANC firms will be approximately 1,450 hours.<sup>26</sup> The Commission estimates that the total one-time and annual recordkeeping burden for the 5 broker-dealers expected to become ANC firms will be approximately 200 hours<sup>27</sup> and 966.65 hours,<sup>28</sup> respectively. Therefore, Commission estimates an aggregate annualized recordkeeping burden of approximately 2,483.65 hours.<sup>29</sup>

The Commission estimates that ANC firms will spend a total of approximately one hour per year to comply with the notification provisions of Appendix G, resulting in a total annual reporting burden of 5 hours<sup>30</sup> for the 5 ANC firms, and 3.35 hours<sup>31</sup> for the 5 broker-dealers expected to become ANC firms, resulting in an aggregate reporting burden of 8.35 hours.<sup>32</sup>

The Commission also estimates that each broker-dealer will spend approximately 250 hours per year reviewing and updating its risk management control system, resulting in an aggregate annual recordkeeping burden of 1,250 for the 5 ANC firms,<sup>33</sup> and 833.35 for the 5 broker-dealers expected to become ANC firms<sup>34</sup> totaling 2,083.35 hours.<sup>35</sup>

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<sup>24</sup> (Y1: 0 hours) + (Y2: 96 hours + 64 hours + 200 hours = 360 hours) + (Y3: 96 hours + 64 hours + 200 hours = 360 hours) = 720 hours / 3 years = 240 hours x 5 broker-dealers = 1,200 hours.

<sup>25</sup> 1,800 hours + 1,200 hours = 3,000 hours.

<sup>26</sup> 290 hours x 5 broker-dealers = 1,450 hours.

<sup>27</sup> 40 hours x 5 broker-dealers = 200 hours. The three-year annualized number for this one-time burden is 66.666, rounded to 66.67 hours (200 hours / 3 years = 66.666, rounded to 66.67 hours).

<sup>28</sup> (Y1: 0 hours) + (Y2: 290 hours) + (Y3: 290 hours) = 580 hours / 3 years = 193.33 hours x 5 broker-dealers = 966.65 hours.

<sup>29</sup> 1,450 hours (5 ANC firms) + 67 hours (5 broker-dealers expected to become ANC firms) + 966.65 hours (5 broker-dealers expected to become ANC firms) = 2,483.65 hours.

<sup>30</sup> 1 hour x 5 broker-dealers = 5 hours.

<sup>31</sup> (Y1: 0 hours) + (Y2: 1 hour) + (Y3: 1 hour) = 2 hours / 3 years = .67 hours x 5 broker-dealers = 3.35 hours.

<sup>32</sup> 5 hours (5 ANC firms) + 3.35 hours (5 broker-dealers expected to become ANC firms) = 8.35 hours.

<sup>33</sup> 250 hours x 5 broker-dealers = 1,250 hours.

<sup>34</sup> (Y1: 0 hours) + (Y2: 250 hours) + (Y3: 250 hours) = 500 hours / 3 years = 166.67 hours x 5 broker-dealers = 833.35 hours.

<sup>35</sup> 1,250 hours (5 ANC firms) + 833.5 hours (5 broker-dealers expected to become ANC firms) = 2,083.5 hours.

Therefore, the total annual hour burden for Appendices E and G to Rule 15c3-1 is 61,241.65 hours.<sup>36</sup>

A broker-dealer is required to take a 15% haircut on its proprietary positions in commercial paper, nonconvertible debt, and preferred stock unless the broker-dealer establishes, documents, maintains, and enforces written policies and procedures for determining creditworthiness.<sup>37</sup> The staff estimates that approximately 351 broker-dealers will establish, document, maintain, and enforce policies and procedures that are reasonably designed to determine whether a security or a money market instrument has a minimal amount of credit risk.<sup>38</sup> If the security or money market instrument has a minimal amount of credit risk, the broker-dealer can take haircuts on the security or money market instrument pursuant to paragraphs (c)(2)(vi)(E), (c)(2)(vi)(F)(1), (c)(2)(vi)(F)(2) and (c)(2)(vi)(H) of Rule 15c3-1. The staff estimates that, on average, broker-dealers will spend 25 hours developing policies and procedures or revising their current policies and procedures for evaluating creditworthiness for the purposes of Rule 15c3-1, resulting in an aggregate one-time recordkeeping burden of 8,775 hours.<sup>39</sup>

The staff also estimates that, on average, each broker-dealer will spend an additional 10 hours a year reviewing and adjusting its own standards for evaluating creditworthiness. Therefore, the Commission estimates that the total annualized recordkeeping burden to the industry will be approximately 3,510 annual hours.<sup>40</sup> Consequently, the Commission estimates that the total annual burden associated with evaluating creditworthiness under Rule 15c3-1 will be approximately 4,092.66 hours.<sup>41</sup>

Therefore, the total annual hour burden for the current PRA collection under Rule 15c3-1 is 65,915.31 hours.<sup>42</sup>

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<sup>36</sup>  $1,666.65 + 52,000 + 3,000 + 2,483.3 + 8.35 + 2,083.35 = 61,241.65$  hours.

<sup>37</sup> *Removal of Certain References to Credit Ratings under the Securities Exchange Act of 1934*, Exchange Act Release No. 71194 (Dec. 27, 2013), 79 FR 1522 (Jan. 8, 2014).

<sup>38</sup> The number of 351 broker-dealers was obtained by reviewing broker-dealer Financial and Operational Combined Single (or “FOCUS”) Reports for the third-quarter of 2016 and then calculating how many firms reported holding proprietary debt positions. For FOCUS Part II filers, the balances examined were “Bankers Acceptances” (line item 370) and “Corporate Obligations” (line item 400). For FOCUS CSE filers, the balances examined were: “Money Market Instruments” (line item 8240), “Private Label Mortgage Backed Securities” (line item 8250), “Other Asset Backed Securities” (line item 8260) and “Corporate Debt” (line item 8270). For Part IIA filers, the balance examined was “Debt Securities” (line item 419). Broker-dealers that hold preferred stock also may hold positions in debt securities. However, because preferred stock is not a separate line item on the FOCUS Report, broker-dealers that hold only preferred stock and no other debt securities are not included in this estimate.

<sup>39</sup>  $351 \text{ broker-dealers} \times 25 \text{ hours} = 8,775 \text{ hours}$ .

<sup>40</sup>  $351 \text{ broker-dealers} \times 10 \text{ hours} = 3,510 \text{ hours}$ . The Commission estimates that broker-dealers will use a controller to do this work.

<sup>41</sup> *See supra* note 40.  $2,923.83 \text{ hours} + 1,168.83 \text{ hours} = 4,092.66 \text{ hours}$ .

<sup>42</sup>  $451 + 40 + 90 + 61,241.65 = 61,822.65$ ;  $61,822.65 \text{ hours} + 4,092.66 \text{ hours} = 65,915.31 \text{ hours}$ .

Nature of Information Collection Burden	Type of Burden	Total Number of Respondents	Total Number of Responses Per Year	Initial Burden Per Response Per Year Per Respondent	Ongoing Burden Per Response Per Year Per Respondent	Total Annualized Burden Per Year Per Respondent	Total Annualized Reporting Burden For All Respondents	Small Business Entities Affected
Rule 15c3-1: Notices	Reporting	902	1	0	0.5	0.5	451	290
Paragraph (c)(2)(iv)(B): Disclosures and Agreements	Recordkeeping	6	1	6.67	0	6.67	40	0
Paragraph (c)(2)(i)(G)(2): Capital Withdrawal Liability	Reporting	90	1	0	1	1	90	29
Appendix E computations for ANC firms	Recordkeeping	5	1	333.33	0	333.33	1,666.65	0
Reviewing and back testing models for existing ANC firms	Recordkeeping	5	1	0	6,240	6,240	31,200	0
Reviewing and back testing models for new ANC firms	Recordkeeping	5	1	0	4,160	4,160	20,800	0
Appendix G monthly reports for existing ANC firms	Reporting	5	12	0	8	96	480	0
Appendix G quarterly reports for existing ANC firms	Reporting	5	4	0	16	64	320	0
Appendix G annual reports for existing ANC firms	Reporting	5	1	0	200	200	1,000	0
Appendix G monthly reports for new ANC firms	Reporting	5	12	0	5.33	64	320	0
Appendix G quarterly reports for new ANC firms	Reporting	5	4	0	10.67	42.67	213.35	0
Appendix G annual reports for new ANC firms	Reporting	5	1	0	133.33	133.33	666.65	0
Appendix G recordkeeping for existing ANC firms	Recordkeeping	5	1	0	290	290	1,450.00	0
Appendix G recordkeeping for new ANC firms (initial)	Recordkeeping	5	1	13.33	0	13.33	66.65	0
Appendix G recordkeeping for new ANY firms (ongoing)	Recordkeeping	5	1	0	193.33	193.33	966.65	0
Appendix G notification provision for existing ANC firms	Reporting	5	1	0	1	1	5	0
Appendix G notification provision for new ANC firms	Reporting	5	1	0	0.67	0.67	3.35	0
Appendix G updating risk management profile for existing ANC firms	Recordkeeping	5	1	0	250	250	1,250	0
Appendix G updating risk management profile for new ANC firms	Recordkeeping	5	1	0	166.67	166.67	833.35	0
Creating procedures to determine creditworthiness to avoid 15% haircut	Recordkeeping	351	1	25	8.33	8.33	2,923.83	139



Reviewing procedures to determine creditworthiness to avoid 15% haircut	Recordkeeping	351	1	10	3.33	3.33	1,168.83	139
<b>Totals</b>							<b>65,915.31</b>	

### 13. Costs to Respondents

Approximately 81 broker-dealers file consolidated financial reports, of which approximately 20 obtain an opinion of counsel under Appendix C of Rule 15c3-1. The Commission estimates that the approximate cost to broker-dealers to obtain an opinion of counsel to file the consolidated financial reports as required under Appendix C of Rule 15c3-1 will be \$8,000. This figure is based on an estimate of 20 hours per opinion for an outside counsel at \$400 per hour.<sup>43</sup> The total costs for all respondents will be \$160,000.<sup>44</sup>

Nature of Information Collection Burden	Type of Burden	Total Number of Respondents	Total Number of Responses Per Year	Initial Burden Per Response Per Year Per Respondent	Ongoing Burden Per Response Per Year Per Respondent	Total Annualized Burden Per Year Per Respondent	Total Annualized Reporting Burden For All Respondents	Small Business Entities Affected
Opinion of counsel to file consolidated financial reports under Appendix C	Reporting	20	1	\$0.00	\$8,000.00	\$8,000.00	\$160,000.00	0
<b>Totals</b>							<b>\$160,000.00</b>	

### 14. Costs to Federal Government

Not applicable. Rule 15c3-1 will not result in any costs to the federal government beyond normal full-time employee labor costs, nor does Rule 15c3-1 require the Commission to hire any new employees or reallocate existing employees to ensure compliance with the rule.

### 15. Changes in Burden

The change in the recordkeeping and reporting burden between the Supporting Statement released on April 13, 2014<sup>45</sup> is mostly due to the changes in the estimated number of ANC broker-dealers subject to Rule 15c3-1 and the estimated number of broker-dealers expected to apply to be ANC broker-dealers over the next three years. Additionally, the number of broker-dealers reporting holding proprietary debt positions has decreased from 434 broker-dealers to 351.

Therefore, as described in section 12 above, the compliance burden increased from 63,136 hours to 68,256.85 hours. There is no change in the current cost estimate of \$160,000.

<sup>43</sup> \$400 x 20 hours = \$8,000. See PRA Analysis in *Financial Responsibility Rules for Broker-Dealers*, Exchange Act Release No. 70072 (July 30, 2013), 78 FR 51823 (Aug. 21, 2013) (citing PRA Analysis in *Product Definitions Adopting Release*, 77 FR at 48334 (providing an estimate of \$400 an hour to engage an outside attorney)). See also *Crowdfunding: Final Rule*, Exchange Act Release No. 76324 (Oct. 30, 2015), 80 FR 71387 (Nov. 16, 2015). The Commission recognizes that the costs of retaining outside professionals may vary depending on the nature of the professional services, but for purposes of this PRA analysis, the Commission estimates that such costs will be an average of \$400 per hour.

<sup>44</sup> 20 opinions x \$8,000 = \$160,000.

<sup>45</sup> Available at [https://www.reginfo.gov/public/do/PRAViewDocument?ref\\_nbr=201405-3235-004](https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201405-3235-004).

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

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

**17. OMB Expiration Date Display Approval**

The Commission is not seeking approval to not display the OMB approval 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.