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

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

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, municipal offerings 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, since 2009, municipal issuers have increasingly used direct purchases of municipal securities[1] and direct loans as alternatives to public offerings of municipal securities. These direct purchases and direct loans have raised concerns from industry participants about the potential lack of secondary market disclosure to investors.

Today there are over $3.83 trillion of municipal securities outstanding. Trading volume is also substantial, with over $3.1 trillion of long and short-term municipal securities traded in 2016 in more than nine 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.

[1] For example, an investor purchasing a municipal security directly from an issuer.

History of Exchange Act Rule 15c2-12

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's Electronic Municipal Market Access ("EMMA") system, 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, broker-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 the 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.

Overview of Rule 15c2-12 Prior to the Proposed Amendments

Rule 15c2-12(b) requires a Participating Underwriter: (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.

Rule 15c2-12(b)(5)(i) requires Participating Underwriters to reasonably determine, in connection with an offering, that the issuer or obligated person has undertaken in a continuing disclosure agreement to provide to the MSRB, in an electronic format prescribed by the MSRB, the following, described below:

- Under Rule 15c2-12(b)(5)(i)(A), the annual financial information for the issuer or obligated person for whom financial information or operating data is presented in the financial official statement.
- Under Rule 15c2-12(b)(5)(i)(B), if not submitted as part of the annual financial information, the audited financial statements for the issuer or obligated person covered by (b)(5)(i)(A), if and when available.
- Under Rule 15c2-12(b)(5)(i)(C), in a timely manner not in excess of ten business days of the occurrence of the event, notice of any of the following events with respect to the securities being offered in the offering: (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 Internal Revenue Service 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 issuer or obligated person; (13) the consummation of a merger, consolidation, or acquisition involving the issuer or obligated person or the sale of all or substantially all of the assets of the issuer or 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.

Rule 15c2-12(c) requires that 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.

Proposed Amendments to Rule 15c2-12

The Commission has proposed to amend Rule 15c2-12. First, the Commission has proposed to add new paragraphs (15) and (16) to Rule 15c2-12(b)(5)(i)(C). Proposed new paragraphs (15) and (16) of Rule 15c2-12(b)(5)(i)(C) would require, respectively, a Participating Underwriter in an offering to reasonably determine that the issuer or obligated person has undertaken in a written agreement or contract to provide to the MSRB, within ten business days

after the occurrence of the event, notice of the: (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

Second, the Commission has proposed to amend Rule 15c2-12(f) to add a definition for the term "financial obligation." Under the proposed definition, the term financial obligation means a debt obligation, lease, guarantee, derivative instrument, or monetary obligation resulting from a judicial, administrative, or arbitration proceeding. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Third, the Commission has proposed a technical amendment to Rule 15c2-12(b)(5)(i)(C)(14) to remove the term "and" to account for the new paragraphs added to (b)(5)(i)(C).

2) <u>Purpose and Use of the Information Collection</u>

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, EMMA, for the electronic collection and availability of information about outstanding municipal securities in the secondary market.

The proposed amendments would provide broker-dealers with timely access to important information about municipal securities that they can use to carry out their obligations under the securities laws, thereby reducing the likelihood of antifraud violations. This information could be

used by individual and institutional investors, underwriters of municipal securities, broker-dealers, analysts, municipal securities issuers, the MSRB, vendors of information regarding municipal securities, the Commission and its staff, and the public generally. The proposed amendments would enable market participants and the public to be better informed about material events that occur with respect to municipal securities and their issuers and would assist investors in making decisions about whether to buy, hold or sell municipal securities.

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, mutual funds, and municipal advisors, the Commission has increasingly encouraged, and in some cases required, the use of the Internet and websites by public reporting companies, mutual funds, and municipal advisors 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, EMMA, 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), 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, however, should 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 Commission solicited comment on the estimated PRA burden associated with the proposed collection of information requirements.[2] The comments received on this rulemaking are posted on the Commission's public website, and are available at https://www.sec.gov/comments/s7-01-17/s70117.htm. The Commission will consider all comments prior to adopting the proposed amendments in accordance with 5 CFR 1320.11(f).

9) Payment or Gift

Not Applicable.

10) Confidentiality

No assurances of confidentiality have been provided.

[2] See Proposed Amendments to Municipal Securities Disclosure, Exchange Act Release No. 80130 (Mar. 1, 2017), 82 FR 13928-01 (Mar. 15, 2017).

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

Burden and Cost under Rule 15c2-12 Prior to the Proposed Amendments

In November 2015, OMB approved an extension without change of a currently approved collection of information associated with Rule 15c2-12. The currently approved paperwork collection associated with Rule 15c2-12 applies to broker-dealers, issuers of municipal securities, and the MSRB. The Commission believes the estimates used in connection with the 2015 extension of its currently approved collection continue to be reasonable estimates as of the date of this proposal, but is modifying the burdens to account for changes in burden that would result from the proposed amendments.

Under the current Rule 15c2-12, the Commission has estimated that approximately 250 broker-dealers could potentially serve as Participating Underwriters in an offering of municipal securities. The Commission's current estimate of the total annual burden on all 250 broker-dealers is 22,500 hours, which includes (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 continuing disclosure documents to the MSRB; and (2) 20,000 hours per year for 250 broker-dealers (80 hours per year per broker-dealer) serving as Participating 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 Rule 15c2-12(b)(5)(i).

Under the current Rule 15c2-12, the Commission has estimated that the total annual burden on the estimated 20,000 municipal issuers is 599,258 hours, which is the sum of the time required for issuers to prepare and file (1) 73,480 event notices to the MSRB, with each event notice taking approximately two hours to prepare and submit, totaling 146,960 hours; (2) 62,596 annual filings to the MSRB, with each filing taking approximately seven hours each, totaling 438,172 hours; and (3) 7,063 failure to file notices to the MSRB, with each failure to file notice taking approximately two hours to prepare and submit, totaling 14,126 hours. The Commission also estimated that the average annual cost incurred by issuers that use the services of a designated agent to submit some or all of their continuing disclosure documents to the MSRB is $9,750,000, which is derived from (1) an estimate that up to 65% of the 20,000 issuers may use

designated agents, and (2) an estimate that the average total annual cost of such designated agents is $750.[3]

Lastly, the Commission has estimated that the total annual burden on the MSRB to collect, index, store, retrieve, and make available the pertinent documents under Rule 15c2-12 is 12,699 hours, and that the annual cost to the MSRB is $10,000 for hardware and software costs for the MSRB's EMMA system.

Burden and Cost under Rule 15c2-12 Including the Proposed Amendments

The Commission has proposed to add new paragraphs (15) and (16) to Rule 15c2-12(b)(5)(i)(C), which would contain new events for which a notice would be required to be provided to the MSRB. The proposed amendments would require a Participating Underwriter in an offering to reasonably determine that the issuer or obligated person has undertaken in a written agreement or contract to provide to the MSRB, within ten business days after the occurrence of the event, notice of the: (15) incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties. As discussed below, the Commission has estimated that these proposals would result in additional one-time and annual hour burdens for broker-dealers, issuers, and the MSRB.

For broker-dealers, the Commission has estimated that the proposed amendments would require broker-dealers to spend ten additional hours, per broker-dealer, 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 Rule 15c2-12(b)(5)(i), resulting in an additional 2,500 hours annually.[4] The Commission has also estimated that each broker-dealer would incur a one-time paperwork burden of 30 minutes each to have its internal compliance attorney prepare and issue a notice advising its employees about the proposed revisions to Rule 15c2-12, including any updates to policies and procedures affected by the proposed amendments, resulting in a one-time burden of 125 hours.[5] The Commission does not believe the proposed amendments would otherwise increase the annual hourly burden for broker-dealers. Under the proposed amendments, broker-dealers would spend approximately 25,125 hours the first year, and 25,000 hours in subsequent years, to comply with Rule 15c2-12.[6]

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[3] 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.

[4] 250 broker-dealers x 10 hours (each) = 2,500 hours.

[5] 250 broker-dealers x 0.5 hours (each) = 125 hours.

[6] First year burden: (22,500 hours (total estimated annual hourly burden for all broker-dealers under the current Rule) + 2,500 hours (total estimated additional annual hourly burden for all broker-dealers under

For issuers, the Commission has estimated that the proposed amendments would increase the total number of event notices submitted by issuers annually by approximately 2,200 notices.[7] Based on the estimate that each event notice would take on average approximately two hours to prepare and submit, the proposed amendments would result in an additional 4,400-hour burden for issuers, resulting in an annual paperwork burden for issuers to submit event notices of approximately 151,360 hours, and a total burden on issuers of approximately 603,658 hours.[8] The Commission has also estimated that issuers that use the services of a designated agent for submission of event notices to the MSRB could incur additional costs of approximately six percent[9] associated with the proposed amendments, so that the average total annual cost that would be incurred by issuers that use the services of a designated agent under the proposed amendments would be $10,335,000.[10]

There likely would also be some costs incurred by issuers to revise their current template for continuing disclosure agreements to reflect the proposed amendments to the Rule. The Commission understands that models currently exist for continuing disclosure agreements that are relied upon by legal counsel to issuers and, accordingly, these documents would likely be updated by outside attorneys to reflect the proposed amendments. Based on a review of industry sources, the Commission believes that continuing disclosure agreements tend to be standard form agreements. The Commission preliminarily believes that a 15 minute estimate to prepare a revised continuing disclosure agreement is a reasonable estimate of the average amount of time required for an outside attorney to revise the template for continuing disclosure agreements for the proposed amendments to the Rule. Thus, the Commission estimates that the approximate average cost of revising a continuing disclosure agreement to reflect the proposed amendments

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the proposed amendments to the Rule) + 125 (250 (broker-dealers impacted by the proposed amendments to the Rule) x .5 hour (estimate for one-time burden to issue notice regarding broker-dealer's obligations under the proposed amendments to the Rule)) = 25,125 hours.
Annual burden: (22,500 hours (total estimated annual hourly burden for all broker-dealers under the current Rule) + 2,500 hours (total estimated additional annual hourly burden for all broker-dealers under the proposed amendments to the Rule) = 25,000 hours.

7 2,100 notices (for Rule 15c2-12(b)(5)(i)(C)(15)) + 100 notices (for Rule 15c2-12(b)(5)(i)(C)(16)) = 2,200 notices.

8 438,172 hours (current estimated burden for issuers to submit annual filings) + 151,360 hours (estimated annual burden for issuers to submit event notices under the proposed amendments) + 14,126 hours (current estimated annual burden for issuers to submit failure to file notices) = 603,658 hours.

9 The Commission is estimating that the proposed amendments would increase the number of issuers' annual event filings by approximately three percent, and would increase the number of issuers' total annual filings by approximately 1.5 percent. The six percent estimate for additional costs reflects these estimated increases in filings as well as an estimated reimbursement of approximately 4.5 percent of costs by issuers to designated agents for the agents' costs of making necessary changes to their systems.

10 20,000 (number of issuers) x .65 (percentage of issuers that may use designated agents) x $795 ($750 x 1.06) (estimated average annual cost for issuer's use of designated agent under the proposed amendments to the Rule) = $10,335,000.

for each issuer would be approximately $100,[11] for a one-time total cost of $2,000,000[12] for all issuers, if an outside counsel were used by each issuer to revise the continuing disclosure agreement.

The Commission has estimated that the proposed amendments would require the MSRB to spend approximately 1,162 hours in the first year to implement the necessary modifications to EMMA to add additional disclosure events for a total one-time first-year burden of 13,861 hours,[13] but would not increase the MSRB's current burden of 12,699 hours in subsequent years. Thus, the Commission has estimated that the total burden on the MSRB to collect, store, retrieve, and make available the disclosure documents covered by the proposed amendments to the Rule on an ongoing basis would be 12,699 hours annually.[14]

The tables below set forth the Commission's estimates of respondent reporting burden and total annualized cost burden, excluding one-time burdens and costs.

THIRD-PARTY DISCLOSURE BURDEN AND COST

	Responses	**Burden (hours)**	**Cost**
Approved Previous Final Rule			
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
Previous Total Estimates	**143,389**	**621,758**	**$9,750,000**
Revised Burdens and Cost			
Broker-dealers	250	25,000	$0
Issuers (annual filings)	62,596	438,172	$0
Issuers (event notices)	75,680	151,360	$0
Issuers (failure to file notices)	7,063	14,126	$0

11 1 (continuing disclosure agreement) x $400 (hourly wage for an outside attorney) x .25 hours (estimated time for outside attorney to revise a continuing disclosure document in accordance with the proposed amendments to the Rule) = $100. 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 we estimate that costs for outside counsel would be an average of $400 per hour.

12 $100 (estimated cost to revise a continuing disclosure agreement in accordance with the proposed amendments to the Rule) x 20,000 (number of issuers) = $2,000,000.

13 First-year burden for MSRB: 12,699 hours (annual burden under currently approved collection + 1,162 hours (estimate for one-time burden to implement the proposed amendments) = 13,861 hours.

14 Annual burden for MSRB: 12,699 hours (annual burden under currently approved collection).

	Responses	Burden (hours)	Cost
Issuers that use the services of a designated agent to submit continuing disclosure documents			$10,335,000
Revised Total Estimates	**145,589**	**628,658**	**$10,335,000**

RECORDKEEPING BURDEN AND COST

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

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. The Commission is changing the estimated burdens for brokers-dealers, issuers and the MSRB as a result of amendments to Rule 15c2-12 proposed by the Commission.

For broker-dealers, the Commission has estimated that the proposed amendments would require broker-dealers to spend ten additional hours, per broker-dealer, 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 Rule 15c2-12(b)(5)(i), resulting in an additional 2,500 hours annually.[15] The Commission has also estimated that each broker-dealer would incur a one-time paperwork burden of 30 minutes each to have its internal compliance attorney prepare and issue a notice advising its employees about the proposed revisions to Rule

[15] 250 broker-dealers x 10 hours (each) = 2,500 hours.

15c2-12, including any updates to policies and procedures affected by the proposed amendments, resulting in a one-time burden of 125 hours.[16]

For issuers, the Commission has estimated that the proposed amendments would increase the total number of event notices submitted by issuers annually by approximately 2,200 notices.[17] Based on the estimate that each event notice would take on average approximately two hours to prepare and submit, the proposed amendments would result in an additional 4,400-hour burden to issuers, and a total burden on issuers of 603,658 hours.[18] The Commission has also estimated that issuers that use the services of a designated agent for submission of event notices to the MSRB could incur additional costs of approximately six percent[19] associated with the proposed amendments, so that the average total annual cost that would be incurred by issuers that use the services of a designated agent under the proposed amendments would be $10,335,000.[20]

The Commission has estimated that the proposed amendments would require the MSRB to spend approximately 1,162 hours in the first year to implement the necessary modifications to EMMA to add additional disclosure events for a total one-time first-year burden of 13,861 hours,[21] but would not increase the MSRB's current burden of 12,699 hours in subsequent years.

Thus, the Commission has estimated that the proposed amendments to Rule 15c2-12 would result in a total industry-wide one-time hour burden increase of approximately 1,287

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16 250 broker-dealers x 0.5 hours (each) = 125 hours.

17 2,100 notices (for Rule 15c2-12(b)(5)(i)(C)(15)) + 100 notices (for Rule 15c2-12(b)(5)(i)(C)(16)) = 2,200 notices.

18 438,172 hours (current estimated burden for issuers to submit annual filings) + 151,360 hours (estimated annual burden for issuers to submit event notices under the proposed amendments) + 14,126 hours (current estimated annual burden for issuers to submit failure to file notices) = 603,658 hours.

19 The Commission is estimating that the proposed amendments would increase the number of issuers' annual event filings by approximately three percent, and would increase the number of issuers' total annual filings by approximately 1.5 percent. The six percent estimate for additional costs reflects these estimated increases in filings as well as an estimated reimbursement of approximately 4.5 percent of costs by issuers to designated agents for the agents' costs of making necessary changes to their systems.

20 20,000 (number of issuers) x .65 (percentage of issuers that may use designated agents) x $795 ($750 x 1.06) (estimated average annual cost for issuer's use of designated agent under the proposed amendments to the Rule) = $10,335,000.

21 First-year burden for MSRB: 12,699 hours (annual burden under currently approved collection + 1,162 hours (estimate for one-time burden to implement the proposed amendments) = 13,861 hours.

hours[22] and a total industry-wide ongoing annual hour burden increase of approximately 6,900 hours.[23]

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.

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[22] Reflecting the one-time hour burden on broker-dealers to prepare and issue a notice advising its employees about the proposed amendments to Rule 15c2-12 (250 broker-dealers x .5 hours = 125 hours) and the one-time burden on the MSRB to implement the proposed amendments (1,162 hours). 125 hours + 1,162 hours = 1,287 total one-time hour burden.

[23] Reflecting an ongoing annual hour burden increase of 2,500 hours on broker-dealers and 4,400 hours on issuers.