

## SUPPORTING STATEMENT

### FOR THE PAPERWORK REDUCTION ACT SUBMISSION FOR THE INFORMATION COLLECTION

#### “ELECTRONIC DATA COLLECTION SYSTEM”

##### Justification

##### 1. Information Collection Necessity

The Securities and Exchange Commission (“Commission”) uses an Electronic Data Collection System (the “Database”) for the receipt, collection and analysis of tips, complaints and referrals (“tips”). An individual wishing to provide the Commission with information regarding an alleged violation of the federal securities laws may elect to submit information through the Database.

The public interface to the Database is available using the agency’s [Tips, Complaints and Referrals Portal](#).

##### 2. Information Collection Purpose and Use

The information in the Database provides the ability for the SEC to review and respond promptly and appropriately to information provided by the general public. In particular, the Database: (i) provides a simple, easy-to-use and convenient medium for individuals to provide tips to the Commission; (ii) increases the likelihood that individuals will provide essential, relevant information regarding their tips; (iii) allows the Commission to collect relevant information regarding tips more effectively and efficiently (compared to information provided in hard-copy); and (iv) allows the Commission to evaluate and analyze information regarding tips more effectively and efficiently.

The information collected primarily is used 1) to determine individuals and entities to investigate or examine for potential securities laws violations; 2) for analysis to identify trends in tips and complaints to highlight areas of risk; and 3) to identify patterns in behavior of securities laws violators to discover other potential violators. The Database is also used throughout the Commission as a source of information for other Commission functions including informing policy, helping on registration requests, and evaluation of required filings among others.

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

The Database is an e-filed dynamic report based on current technology. Based on initial information provided by an individual submitting a tip (e.g., the nature of alleged violation or the characteristics of the persons or entities involved in the alleged violations), the Database pre-populates certain data fields and determines the appropriate additional questions to elicit relevant information regarding the tip. Pre-populating the answers to the questions reduces burden and alleviates the need to enter a response to every question. The information collection is voluntary.

#### **4. Duplication**

There is no other collection instrument available to collect the information necessary to meet the purposes described in item 2 above.

#### **5. Reducing the Burden on Small Businesses**

The burden of compliance with the information collection requirement does not impact small businesses or other small entities.

#### **6. Consequences of Not Requiring Collection**

Without this database, the SEC will not have timely information to review and respond promptly to information provided by the general public. The information specified in the complaint database is needed in order for the agency to determine whether the tips and related allegations (i) are credible; (ii) indicate a potential violation of the federal securities laws, and (iii) should be investigated further as well as for additional analyses consistent with the agency's overall mission and responsibilities.

#### **7. Inconsistencies with Guidelines in 5 CFR 1320.8(d)**

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.8(d).

#### **8. Consultations Outside the Agency**

We have published the required Federal Register Notice as required. The Commission did not receive any public comments.

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

There are no gifts or payments to respondents.

#### **10. Confidentiality**

The extent of confidentiality of information submitted to the Database by individuals may depend upon whether the individual elects to participate in the Commission's Whistleblower Program, established pursuant to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 11-203, H.R. 4173).

##### **a. Information submitted by individuals not participating in the Whistleblower Program.**

Individuals not participating in the Whistleblower Program who submit information to the Commission may request that their identities be held in confidence. Absent compelling cause, the Commission ordinarily does not disclose the identities of these persons. The Freedom of Information Act (5 U.S.C. 552(b)(7)(D)), and the Privacy Act of 1974 (5 U.S.C. 552a(k)(5)) permit agencies to withhold the identity of a confidential source. However, there may be circumstances in which disclosure will nonetheless be legally required or will be essential for the

protection of the public interest. For example, in litigation a court may order disclosure, or the Commission may have to present a bounty claimant as a witness in order to assure the success of an enforcement action. Thus, while the Commission and its staff will give serious consideration to requests for confidentiality of identity, no guarantees of confidentiality are possible.

Section 21F(h)(2) also allows the Commission to share information received from whistleblowers with certain domestic and foreign regulatory and law enforcement agencies. However, the statute requires the domestic entities to maintain such information as confidential, and requires foreign entities to maintain such information in accordance with such assurances of confidentiality as the Commission deems appropriate.

## **11. Sensitive Questions**

No questions will be asked that are of a personal or sensitive nature. The information collection collects basic Personally Identifiable Information (PII) that may include individual names; dates of birth; social security numbers; addresses; telephone numbers. A Privacy Act Statement is applicable for the information collection and is displayed at the bottom of the electronic form. The agency has determined that the information collection constitutes a system of record for purposes of the Privacy Act and is covered under System of Records Notice (SORN) #63. The Tips, Complaints, and Referrals (TCR) Records SORN, published on 5/24/2011, is provided as a supplemental document and is also available at <http://www.sec.gov/about/privacy/sorn/secsorn63.pdf>. The Tips Complaints and Referrals (TCR) Modernization Project PIA, published on June 18, 2015, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## **12. Annual Estimated Burden**

The Commission anticipates that the burdens imposed by the Database will vary greatly depending on the complexity of the alleged violations that are the subject of the tip and the amount of information possessed by the individual submitting the tip. With that in mind, the Commission estimates the burden as follows:

Estimated number of annual responses = 16,000

Estimated annual reporting burden = 8,000 hours (30 minutes per submission)

## **13. Total Annualized Cost Burden**

There are no costs associated with this information collection.

## **14. Cost to Federal Government**

The estimated cost to the government that includes the system's operations and maintenance cost is \$3,000,000. This estimate is solely for purposes of the Paperwork Reduction Act. In addition, the internal staff cost is broken down by assigning professionals

for 61% (\$275/Hour) of the time and office staff (\$74/hour) for the other 39% of the time, with the total cost \$1,693,795.<sup>1</sup>

**15. Changes in Burden**

The increase in annual burden of approximately 1,440 hours is due to the actual number of submissions that were received within the past three years.

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

Not applicable. The information collected is not used for tabulation, statistical analysis or publication.

**17. Approval to Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the database. Including the expiration date will result in increased costs, because the need to make changes may not follow the application's scheduled version release dates. The OMB control number will be displayed.

**18. Exceptions to Certification**

This collection complies with the requirements in 5 CFR 1320.9.

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<sup>1</sup> The \$275 per hour and \$74 per hour estimates for SEC staff are CPI inflation adjustments from the 2009 estimates. The 2009 estimate for SEC office workers (\$60) was the midpoint of the Washington, DC annual salary for a Grade SK-5 employee, divided by the OMB standard of 2087 hours and multiplied by 2.93 to account for benefit and overhead costs. The 2009 estimate for SEC professionals (\$235) was the average of the midpoints of the Washington, DC annual salaries for SK-11 and SK-12 employees, divided by the OMB standard of 2087 hours and multiplied by 5.35 to account for benefit and overhead costs.