

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 203-2 and Form ADV-W

A. JUSTIFICATION

1. Necessity for the Information Collection

Rule 203-2 under the Investment Advisers Act of 1940 establishes procedures for an investment adviser to withdraw its registration, or a pending registration application, with the Securities and Exchange Commission (“Commission” or “SEC”), and requires every person withdrawing from investment adviser registration with the Commission to file Form ADV-W electronically on the Investment Adviser Registration Depository (“IARD”).

The potential respondents to this information collection are all investment advisers registered with the Commission that withdraw their registrations or pending registrations with the Commission. The collection of information is necessary to ensure that the Commission and the public are notified when each of these investment advisers withdraws its SEC registration.

The title of the affected collection of information is: “Rule 203-2 and Form ADV-W under the Investment Advisers Act of 1940.” Its OMB control number is 3235-0313. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. This collection of information is found at 17 CFR 275.203-2 and 17 CFR 279.2 and is mandatory.

2. Purposes and Use of the Information Collection

Form ADV-W is used to withdraw an investment adviser's registration with the Commission. The purpose of the information collection is to notify the Commission and the public when each investment adviser withdraws its SEC registration.

3. Consideration Given to Information Technology

All SEC-registered investment advisers are required to file Part 1 and Part 2A of Form ADV, the form used to register as an investment adviser, electronically through the IARD. The IARD is an Internet-based system that investment advisers access through computers in their offices, without the need for specialized software or hardware. The information investment advisers submit to the IARD is stored in a database, and the general public has Internet-access to the data. The IARD also permits investment advisers to meet state notice filing requirements electronically.

In conjunction with mandating electronic filing of investment adviser registration forms, the Commission also mandated electronic filing of the form used to withdraw from registration. To withdraw an investment adviser registration, rule 203-2 requires the electronic filing of Form ADV-W on the IARD.

4. Duplication

The collection of information requirements of the rule and form are not duplicated elsewhere.

5. Effect on Small Entities

The requirements of rule 203-2 and Form ADV-W are the same for all investment advisers registered with the Commission, including small entities. It would defeat the purpose of the rule to exempt small entities from these requirements.

6. Consequences of Not Conducting Collection

Rule 203-2 requires an adviser to notify the Commission when it is withdrawing its SEC registration. If the Commission did not collect this information, the Commission and the public would be unaware that an adviser had gone out of business or was ineligible to remain registered with the Commission.

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

The collection of information imposes no additional requirements regarding record retention.

8. Consultations Outside the Agency

The Commission and the staff of the Division of Investment Management continue to participate in an ongoing dialogue with representatives of the investment adviser profession through public conferences, meetings, and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens facing the industry.

The Commission requested public comments on the collection of information requirements in rule 203-2 and Form ADV-W before submitting this request for extension and approval to the OMB. The Commission received no comments in response to its request.

9. Payment or Gift

None.

10. Confidentiality

The information collected pursuant to rule 203-2 and Form ADV-W are filings with the Commission. These filings are not kept confidential.

11. Sensitive Questions

Form ADV-W collects information on the investment adviser's name, SEC file number, CRD number (if applicable), and business address. Form ADV-W does not collect Social Security Numbers. A System of Records Notice has been published in the Federal Register at (SEC-50) 66 FR 7820 and can also be found at <http://www.sec.gov/about/privacy/secprivacyoffice.htm>.

- a. No information of a sensitive nature, including social security numbers, will be required under this collection of information.
- b. The information collection collects basic Personally Identifiable Information (PII) that may include the investment adviser's name, SEC file number, CRD number (if applicable), and business address. 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) SEC-50 "Investment Adviser Records". The SEC-50 SORN is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>. A Privacy Act Statement is applicable for the information collection and is available on the web form.
- c. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the IARD system, in connection with this collection of information. The IARD PIA, published on July 8, 2014, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

12. Burden of Information Collection

The current approved total estimated collection of information burden imposed by rule 203-2 and Form ADV-W is 500 hours per year. This burden was based on estimates, derived from past filing volume, that approximately 800 respondents filed Form ADV-W

annually, that approximately 75 percent of those advisers ceased operations and completed the entire form to withdraw from all jurisdictions in which they are registered (full withdrawal), and that the remaining 25 percent withdrew from some, but not all, of the jurisdictions in which they were registered and omitted certain items from the form (partial withdrawal). Compliance with the requirement to complete Form ADV-W imposes a total burden of approximately 0.75 hours (45 minutes) for an adviser filing for full withdrawal and approximately 0.25 hours (15 minutes) for an adviser filing for partial withdrawal, for a total of 500 hours.

We anticipate that the burden for this information collection is expected to increase slightly due to a higher number of respondents filing Form ADV-W.

For purposes of this Paperwork Reduction Act extension, the Commission staff estimates based on the number of Form ADV-W filings received in the past calendar year that approximately 871 advisers file Form ADV-W each year. Of those advisers, approximately 741 advisers (85%) filing for withdrawal file for full withdrawal and approximately 130 advisers (15%) file for partial withdrawal.¹ Compliance with the requirement to complete Form ADV-W imposes a total burden of approximately 0.75 hours (45 minutes) for an adviser filing for full withdrawal and approximately 0.25 hours (15 minutes) for an adviser filing for partial withdrawal. Based on these estimates and estimated total responses, we estimate the total annual hours requested at approximately 588 hours.²

¹ This information was based on data collected from Form ADV-Ws filed through the IARD during 2016.

² $(741 \text{ full ADV-Ws} \times 0.75 \text{ hours}) + (130 \text{ partial ADV-Ws} \times 0.25 \text{ hours}) = 588 \text{ hours.}$

We anticipate that investment advisers would likely utilize a combination of compliance professionals and clerical staff to complete Form ADV-W and file it with the Commission. The Commission estimates the hourly wage rate for a compliance manager to be \$292 per hour,³ including benefits, and the hourly wage rate for a general clerk to be \$59 per hour.⁴ An investment adviser filing for full withdrawal would utilize an estimated 50% professional time and 50% clerical time. For each full withdrawal, the estimated cost would be approximately \$117 per withdrawal,⁵ or \$86,697 total.⁶ It is estimated that an investment adviser filing for partial withdrawal would utilize only clerical staff. For each partial withdrawal, the estimated cost would be approximately \$14.75 per withdrawal,⁷ or \$1,917.50 total.⁸ Accordingly, the Commission staff estimates the total annual cost of Form ADV-W to be \$88,614.50.⁹

13. Cost to Respondents

\$0.

³ Data from the SIFMA *Management and Professional Earnings in the Securities Industry 2013* report, modified by Commission staff to account for an 1,800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, suggest that the cost for a compliance manager is approximately \$292 per hour.

⁴ Data from the SIFMA *Office Salaries in the Securities Industry 2013* report, modified by Commission staff to account for an 1,800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead, suggest that the cost for a General Clerk is approximately \$59 per hour.

⁵ $((.75 \text{ hours} \times .5) \times \$292/\text{hour}) + ((.25 \text{ hours} \times .5) \times \$59/\text{hour}) = \$116.87.$

⁶ $\$117 \times 741 = \$86,697.$

⁷ $.25 \text{ hours} \times \$59/\text{hour} = \$14.75.$

⁸ $\$14.75 \times 130 = \$1,917.50.$

⁹ $\$86,697 + \$1,917.50 = \$88,614.50.$

14. Cost to the Federal Government

\$0.

15. Change in Burden

The revised total annual collection of information burden for rule 203-2 and Form ADV-W is estimated to be 588 hours. This burden represents an increase of 88 hours from the current approved burden, which is attributable primarily to the fact that more investment advisers have filed Form ADV-W in recent staff experience.¹⁰

16. Information Collections Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exception to Certification Statement for Paperwork Reduction Act

Submission

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

¹⁰ 500 current burden hours – 588 revised approved burden hours = -88 hours.