SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Proposed Rule 211h-1

A. Justification

1. Necessity for the Information Collection

On April 18, 2018, the Securities and Exchange Commission (the "Commission" or "SEC") proposed rule 211h-1 under the Investment Advisers Act of 1940 (the "Advisers Act").[1] This proposed rule would require an investment adviser, registered under section 203 of the Advisers Act, to prominently disclose that it is registered as an investment adviser with the Commission in print or electronic retail investor communications. The proposed rule also requires a supervised person of an investment adviser registered under section 203 of the Advisers Act to prominently disclose that he or she is a supervised person of an investment adviser registered with the Commission in print or electronic retail investor communications.

For print communications, the proposed rule requires that such registration status be displayed in a type size at least as large as and of a font style different from, but at least as prominent as, that used in the majority of the communication. In addition, the disclosure must be presented in the body of the communication and not in a footnote. For electronic communications, or in any publication by radio or television, our proposed rule requires that such disclosure be presented in a manner reasonably calculated to draw retail investor attention to it.

Proposed rule 211h-1 contains a collection of information requirement. The title of this collection of information is: "Rule 211h-1 under the Investment Advisers Act of 1940." The Commission submits this collection to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. If adopted, this collection of information would be codified as 17 CFR 275.211h-1 and would be mandatory. The respondents are investment advisers registered with the Commission or applying for registration with the Commission and their supervised persons and future supervised persons.

2. Purpose and Use of the Information Collection

We believe that this collection of information is necessary to provide retail investors and the Commission with information to better determine whether a communication is from a broker-dealer or investment adviser, and, for retail investors specifically, to allow them to better identify which type of firm is more appropriate for their specific investment needs. Additionally, by requiring an affirmative identification, retail investors would also be better informed whether a financial professional is a supervised person of an investment adviser rather than an associated person of a broker-dealer, allowing them to make a more informed choice as to which type of

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1 *See* Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles, Release No. 34-83063, IA-4888 (Apr. 18, 2018).

professional is appropriate for their financial goals. We believe that because retail investors interact with a firm primarily through financial professionals, it is important that financial professionals disclose the firm type with which they are associated.

3. Consideration Given to Information Technology

Proposed rule 211h-1 does not require the reporting of any information or the filing of any documents with the Commission. To the extent investment advisers or their supervised persons provide any information by electronic delivery, they should do so in accordance with Commission guidance.[2]

4. Duplication

The Commission evaluates rule-based disclosure obligation requirements for duplication, and reevaluates them whenever it proposes a rule or a change in a rule. No other rule requires investment advisers and their financial professionals to provide the same information that would be required by rule 211h-1.

5. Effect on Small Entities

The requirements for rule 211h-1 are the same for all investment advisers, including small entities. The Commission believes that establishing different compliance or reporting requirements for small entity investment advisers would be inappropriate under these circumstances. Because the protections of the Advisers Act are intended to apply equally to retail investors of both large and small firms, we believe it would be inconsistent with the purposes of the Advisers Act to specify differences for small entities under the proposed rule.

We estimate that the costs associated with complying with the proposed rule's disclosure requirements would be smaller for small firms than for large firms. We estimate that the costs would increase with the size of the investment adviser, such as costs associated with revisions to each individual supervised person's communication and advertising materials. Specifically, large investment advisers would have to review, identify and change more print and electronic communications and in turn have their compliance staff verify more communications as being compliant with our proposed rule as compared to small investment advisers which would have fewer communications. Therefore, we anticipate that small entity investment advisers would require fewer resources to oversee their employees' compliance with the proposed rule.

6. Consequences of Not Conducting Collection

The collection of information required by the proposed rule is necessary to protect retail investors by providing them with the information necessary to determine whether the firm they are engaging or seeking to engage is a broker-dealer or investment adviser. The consequences of not collecting this information would be that retail investors may not have the information they

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2 Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information; Additional Examples Under the Securities Act of 1933, Securities Exchange Act of 1934, and Investment Company Act of 1940, Investment Advisers Act Release No. 1562 (May 9, 1996).

need in order to evaluate which type of firm they are engaging or seeking to engage. This result would continue to leave investors confused and potentially lead to an inappropriate selection of firm type for an investor's financial goals. Similarly, if the information is either not collected or is a required collection on fewer retail investor communications, the investor protections would be reduced.

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

Not applicable.

8. Consultations Outside the Agency

In the release proposing, among other things, rule 211h-1, the Commission requested public comment on the effect of information collection under the proposed rule. The Commission and the staff of the Division of Investment Management continue to participate in an ongoing dialogue with representatives of the investment adviser industry 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.

9. Payment or Gift

None.

10. Confidentiality

The information collection under the proposed rule would be disclosed prominently in all print and electronic retail investor communications. These disclosures are not kept confidential.

11. Sensitive Questions

Not applicable.

12. Estimate of Hour Burden of Information Collection

We estimate that the total burden hours for rule 211h-1 would be approximately 521,400 hours, as explained in the discussion below.

We estimate that the total aggregate initial burden for existing investment advisers under rule 211h-1 would be approximately 270,441 hours, which would translate into a monetized cost of approximately $73,650,210. This would be an annual average burden of 35 hours per investment adviser (as monetized, an annual average cost of $9,659 per investment adviser). In addition, we estimate that rule 211h-1 would impose an initial burden on new investment advisers of approximately 238.50 hours, which translates into a monetized cost of approximately $34,105.50. This would be an initial average burden of 0.5 hours per new investment adviser (as monetized, is an initial average cost of $71.50 per new investment adviser). Furthermore, investment advisers would incur ongoing burdens associated with the proposed rule, which we preliminarily estimate would be 3,812.50 hours, or approximately $545,187.50 on a monetized basis. This would be an annual average burden of 0.5 hours per investment adviser (as monetized, is an annual average cost of $71.50 per investment adviser).

Under proposed rule 211h-1, supervised persons also would incur an initial burden, which we preliminarily estimate at approximately 122,704 hours, or approximately $17,546,672 on a monetized basis. This would be an annual average burden of 0.5 hours per supervised person (as monetized, is an annual average cost of $71.50 per supervised person). Similarly, we anticipate a burden of 1,500 hours for new supervised persons of an investment adviser, or approximately $214,500 on a monetized basis. This would be an initial average burden of 0.5 hours per new supervised person (as monetized, is an initial average cost of $71.50 per supervised person).

Like investment advisers, supervised persons also would incur ongoing annual burdens. We preliminarily estimate that the total ongoing annual aggregate burden for supervised persons is 122,704 hours. We preliminarily estimate a total ongoing monetized cost of approximately $17,546,672 for supervised persons. This would be an annual average burden of 0.5 hours per supervised person (as monetized, is an annual average cost of $71.50 per supervised person).

a. Initial Costs for Existing Investment Advisers and Supervised Persons

We estimate that approximately 7,625 of the 12,721 investment advisers distribute print or electronic retail investor communications.[3] Of these investment advisers 2,738 are large advisers and 4,887 are small advisers.[4] Finally, we estimate that approximately 245,408 supervised persons distribute print or electronic retail investor communications at standalone investment advisers or dually registered firms.[5] There are also 477 new SEC registered investment advisers per year on average and 3,000 new supervised persons per year.[6]

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[3] The investment adviser and supervised person numbers are as of December 31, 2017.

[4] For purposes of this estimate, we categorize small advisers as advisers with 10 or fewer employees and large advisers as those with 10 or more employees. *See cf.* Rules Implementing Amendments to the Investment Advisers Act of 1940, Investment Advisers Act Release No. 3221 (Jun. 22, 2011), at n.727.

[5] We estimate the number of supervised persons who distribute print or electronic retail investor communications using several data points. First, we analyzed those supervised persons who only hold a series 65 at a dual registrant or an investment adviser firm, totaling 27,879. Next we analyzed those supervised persons at dual registrants or investment advisers holding a combination of either a series 6 and 65 or a series 7 and 65, totaling 15,381 and 172,304 respectively. Finally, we analyzed those supervised persons at dual registrants or investment advisers holding a series 6, 7, and 65, totaling 29,944. (27,879 + 15,281 + 172,304 + 29,944) = 245,408 total supervised persons who engage retail investors through print or electronic communications. We note that our estimate does not reflect supervised persons who hold various designations (*e.g.* Chartered Financial Analyst) in lieu of the licenses we used to identify supervised persons of investment advisers who distribute print or electronic retail investor communications. Finally, our estimate does not employ rounding as compared to estimates discussed in the Economic Analysis of the proposed rules. These numbers are as of December 31, 2017.

[6] The number of new investment advisers is calculated by looking at the number of new advisers in 2016 and 2017 and then isolating the number each year that services retail investors. (455 for 2016 + 499 for 2017) / 2) = 477.

We estimate that the initial one-time burden for complying with the disclosure requirements would be 72 hours per large investment adviser[7] and 15 hours per small investment adviser.[8] We note that we are staging the compliance date to ensure that firms can phase out certain older communications from circulation through the regular business lifecycle rather than having to retroactively change them.[9] As a result of this staged compliance, our burden estimates do not reflect the burdens that would have been imposed had these firms had to replace all outstanding communications.

Aside from certain anticipated outside legal costs, as discussed below, we preliminary estimate that to comply with our proposed rule with respect to print communications,[10] investment advisers would need to review their communications, identify which would need to be amended, make the changes, and verify that all firm communications comply with the rule's requirements including its technical specifications such as the type size, font, and prominence. Our preliminary estimates differ for large and small investment advisers. We drew these distinctions because we assume that the larger an adviser is the more communications it would need to review, identify and change and in turn have its compliance staff verify that such communications are compliant with our proposed rule.

For existing print communications for large investment advisers we preliminarily estimate that the total burden for investment advisers would be 8 hours for compliance and business operations personnel to review, identify, and make changes across all print communications.[11] For small investment advisers, we preliminarily estimate that the total burden

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The number of new supervised persons is calculated by looking at the difference in the number of supervised persons in 2017 as compared to 2016 at firms which service retail investors.

7 (8 hours for print communications per investment adviser + 64 hours for electronic communications per investment adviser).

8 (5 hours for print communications per investment adviser + 10 hours for electronic communications per investment adviser).

9 Similarly, we are not requiring firms to send new communications to replace all older print communications as this would be overly burdensome and costly for firms.

10 Such communications could include business cards, letterheads, newspaper advertisements, and article reprints from an unaffiliated magazines or newspaper.

11 *See e.g*. Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 2210, Exchange Act Release No. 34-75377 (Jul. 7, 2015), at Economic Impact Assessment ("FINRA 2015-22 Notice") (stating with reference to adding BrokerCheck links to mid-size and smaller firm communications, which we believe is analogous to the manual changes made to print communications, that "mid-size and small members typically have less complex websites, which they manage and maintain with nontechnical staff. These members would use personnel in non-technical roles to accomplish the required updates to their websites…. [I]t would take mid-size or small members approximately eight hours of non-technical staffs' time to make the required updates….").

To compute the 8 hours internal initial burden we assume 2 hours by compliance personnel and 6 hours by business operations personnel of the investment adviser.

for investment advisers would be 5 hours for compliance and business operations personnel to review, identify, and make changes across all print communications.[12]

With respect to electronic communications[13] we preliminarily anticipate that it would take large investment advisers approximately 64 hours[14] to review, identify and make the required updates coupled with verifying that such communications (present and future) would be compliant with the proposed rule. Our estimates take into account that larger firms likely have full-featured websites that generate other webpages based on complex system code and logic.[15] In order to make changes to comply with our proposed rule, we assume that business operations and information technology personnel would likely be required to update the underlying code and logic to automate the implementation of the required language to populate across all associated electronic media. Additionally, we assume that these teams would need to test to ensure that such changes were implemented correctly.

With respect to small investment advisers, we preliminarily anticipate that it would take approximately 10 hours[16] to review, identify and make the required updates coupled with verifying that such communications (present and future) would be compliant with the proposed rule. Our estimate for small investment advisers assumes that small investment advisers have fewer electronic communications that would be subject to our proposed rule as compared to larger firms, resulting in a lower burden preliminary estimate.

We preliminarily estimate that the total initial burden for investment advisers is 270,441 hours.[17] We preliminarily estimate a cost of approximately $73,650,210 for investment

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12 This estimate is based upon staff experience and industry materials more generally. *See e.g.* FINRA 2015-22 Notice, *supra* note 11. To compute the 5 hours internal initial burden we assume 1 hour by compliance personnel and 4 hours by business operations personnel of the investment adviser.

13 We believe such communications could include websites, smart phone apps, social media, emails, and blogs.

14 This estimate is based upon staff experience and industry materials more generally. *See e.g.* FINRA 2015-22 Notice, *supra* note 11. To compute the 64 hours internal initial burden we assume 4 hours by compliance personnel and 60 hours by business operations and information technology personnel of the investment adviser.

15 This is based upon staff experience and industry materials more generally. *See e.g.* FINRA 2015-22 Notice, *supra* note 11 (discussing the burdens associated with the inclusion of a BrokerCheck reference and hyperlink across all firm communications for certain firms).

16 This estimate is based upon staff experience and industry materials more generally. *See e.g.* FINRA 2015-22 Notice, *supra* note 11.

To compute the 10 hours internal initial burden, we assume 2 hours by compliance personnel and 8 hours by business operations and information technology personnel of the investment adviser.

17 (8 hours for print communications per large investment adviser + 64 hours for electronic communications per large investment adviser) = 72 hours per large investment adviser.

(72 hours x2,738 large investment advisers) = 197,136 total initial burden for large investment advisers.

(5 hours for print communications per small investment adviser + 10 hours for electronic communications per small investment adviser) = 15 hours per small investment adviser. (15 hours x4887 small investment advisers) = 73,305 total initial burden for small investment advisers.

advisers.[18] This would be an annual average burden of 35 hours per investment adviser[19] (as monetized, an annual average cost of $9,659 per investment adviser).[20]

We further preliminarily anticipate that supervised persons would have an initial burden of 0.5 hours for each supervised person respondent to review, identify, and make changes to their individual communications, both print and electronic.[21] Based on staff experience, we anticipate

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(197,136 total burden large investment advisers + 73,305 total burden small investment advisers) = 270,441 hours.

18 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services in the securities industry is $298, for business services is $268, and for technology services is $270. The average technology and business rate is ($270 technology rate + $268 business rate) / 2 = $269 average rate.

This figure was calculated as follows: ((6 compliance hours x $298 compliance rate) + (66 technology/business hours x $269 averaged technology/business rate)) x 2,738 large investment advisers = $53,505,996 total initial costs for large investment advisers.

((3 compliance hours x $298 compliance rate) + (12 technology/business hours x $269 averaged technology/business rate)) x 4,887 small investment advisers = $20,144,214 total initial costs for small investment advisers.

($53,505,996 total initial costs for large investment advisers + $20,144,214 total initial costs for small investment advisers) = $73,650,210 total initial costs for investment advisers.

19 (8 hours for print communications per large investment adviser + 64 hours for electronic communications per large investment adviser) = 72 hours per large investment adviser.

(72 hours x 2,738 large investment advisers) = 197,136 total initial burden for large investment advisers.

(5 hours for print communications per small investment advisers + 10 hours for electronic communications per small investment adviser) = 15 hours per small investment adviser. (15 hours x 4887 small investment advisers) = 73,305 total initial burden for small investment advisers.

197,136 total burden large investment advisers + 73,305 total burden small investment advisers = 270,441 hours / 7,625 total investment advisers = 35 hours average initial burden per investment adviser.

20 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270. The average technology and business rate is ($268 business rate + $270 technology rate) / 2 = $269 average rate.

This figure was calculated as follows: ((6 compliance hours x $298 compliance rate) + (66 technology/business hours x $269 averaged technology/business rate)) x 2,738 large investment advisers = $53,505,996 total initial costs for large investment advisers.

((3 compliance hours x $298 compliance rate) + (12 technology/business hours x $269 averaged technology/business rate)) x 4,887 small investment advisers = $20,144,214 total initial costs for small investment advisers.

$53,505,996 total initial cost large investment advisers + $20,144,214 total initial costs small investment advisers = $73,650,210 total initial cost investment advisers / 7,625 total number of investment advisers = $9,659 average initial cost per investment adviser.

21 This estimate is based upon staff experience. *See e.g.* Custody of Funds or Securities of Clients by Investment Advisers, Investment Advisers Act Release No. 2968 (Dec. 30, 2009) ("Release 2968") ("We further estimate that the adviser will spend 10 minutes per client drafting and sending the notice."); Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, Investment Company Act Release No. 28584 (Jan. 13, 2009) [74 FR 4546 (Jan. 26, 2009)] ("Enhanced Mutual Fund Disclosure Adopting Release") ("we estimate, as we did in the proposing

that many firms will make many communication changes for their supervised persons, including their business cards and letterheads, leaving only certain responsibilities to the individual such as changes to their individual social media profile(s) and email signatures. Therefore, we preliminarily estimate that the total initial one-time burden for supervised persons is 122,704 hours.[22] We preliminarily estimate a monetized cost of approximately $17,546,672 for supervised persons.[23] This would be an annual average burden of 0.5 hours per supervised person[24] (as monetized, is an annual average cost of $71.50 per supervised person).[25]

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release, that rule 498 will impose a ½ hour burden per portfolio annually associated with the compilation of the additional information required on a cover page or at the beginning of the Summary Prospectus. Rule 498 also imposes annual hour burdens associated with the posting of a fund's Summary Prospectus, statutory prospectus, SAI, and most recent report to shareholders on an Internet website. We estimate that the average hour burden for one portfolio to comply with the Internet website posting requirements will be approximately one hour annually.").

22 (0.5 hours x 245,408 supervised persons) = 122,704 total initial burden for supervised persons.

23 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per supervised person.

(0.5 hours x $143 total cost per supervised person x 245,408 supervised persons) = $17,546,672 total initial cost for supervised persons.

24 (0.5 hours x 245,408 supervised persons) = 122,704 total initial burden for supervised persons.

(122,704 total initial burden for supervised persons / 245,408 total supervised persons) = 0.5 hours average initial burden per investment adviser.

25 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per supervised person.

(0.5 hours x $143 total cost per supervised person x 245,408 supervised persons) = $17,546,672 total initial cost for supervised persons / 245,408 total number of supervised persons) = $71.50 average initial cost per supervised person.

b. Ongoing Annual Burdens for Investment Advisers and Supervised Persons

For the ongoing burden of new communications for investment advisers, we preliminarily estimate that the burden for compliance, business operations, and technology services for adding a registration status statement would be 0.5 hours annual hours per investment adviser.[26] We anticipate that investment advisers will need to add the registration disclosure to each new communication which they create, however we anticipate the burdens associated with this task to be minimal and therefore we do not believe there is a material difference between large and small investment advisers.[27] We preliminarily estimate that the total ongoing annual aggregate burden for investment advisers is 3,812.50 hours.[28] We preliminarily estimate a total ongoing monetized cost of approximately $545,187.50 for investment advisers.[29] This would be an annual average burden of 0.5 hours per investment advisers[30] (as monetized, is an annual average cost of $71.50 per investment adviser).[31]

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26 This estimate is based upon staff experience. *See e.g.* Release 2968, *supra* note 21; Enhanced Mutual Fund Disclosure Adopting Release, *supra* note 21.

In this estimate we are not calculating the print and technological associated burdens of updating communications which we analyzed earlier as we are assuming those burdens to be a one-time initial burden for a firm seeking compliance with the proposed rule.

27 Our assumption of no material difference between large and small investment advisers rests on the fact that all major systems changes would already have been implemented as part of the initial burden. Therefore, any new electronic communications would have the disclosure statement required by our proposed rule built in at the outset which should take minimal time rather than having to retroactively insert it into the systems logic which is a more onerous task. We note that such communications would likely be reviewed by compliance staff for compliance with applicable securities laws including rule 206(4)-1 of the Advisers Act. We anticipate that compliance with proposed rule 211h-1's requirements would be reviewed as part of this larger compliance check.

28 (0.5 hours x 7,625 investment advisers) = 3,812.50 total ongoing burden for investment advisers.

29 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per investment adviser.

(0.5 hours x $143 total cost per investment adviser x 7,625 investment advisers) = $545,187.50 total ongoing cost for investment advisers.

30 (0.5 hours x 7,625 investment advisers) = 3,812.50 total ongoing burden for investment advisers.

(3,812.5 / 7,625 total investment advisers) = 0.5 hours average initial burden per investment adviser.

31 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

For the ongoing burden of new communications for supervised persons of an investment adviser, we preliminarily estimate that the burden for compliance, business operations, and technology services for adding a registration status statement would be 0.5 hours.[32] Therefore, we preliminarily estimate that the total ongoing annual aggregate burden for supervised persons is 122,704 hours.[33] We preliminarily estimate a total ongoing monetized cost of approximately $17,546,672 for supervised persons.[34] This would be an annual average burden of 0.5 hours per supervised person[35] (as monetized, is an annual average cost of $71.50 per supervised person).[36]

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per investment adviser.

(0.5 hours x $143 total cost per investment adviser x 7,625 investment advisers) = $545,187.50 total ongoing cost for investment advisers / 7,625 total number of investment advisers = $71.50 average annual ongoing cost per investment adviser.

32 This estimate is based upon staff experience. *See e.g.* Release 2968, *supra* note 21; Enhanced Mutual Fund Disclosure Adopting Release, *supra* note 21.

In this estimate we are not calculating the print and technological associated burdens of updating communications which we analyzed earlier as we are assuming those burdens to be a one-time initial burden for a supervised person of an investment adviser seeking compliance with the proposed rule.

33 (0.5 hours x 245,408 supervised persons) = 122,704 total ongoing burden for supervised persons.

34 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per supervised person.

(0.5 hours x $143 total cost per supervised person x 245,408 supervised persons) = $17,546,672 total ongoing cost for supervised persons.

35 (0.5 hours x 245,408 supervised persons) = 122,704 total ongoing annual burden for supervised persons.

(122,704 total initial burden for supervised persons / 245,408 total supervised persons) = 0.5 hours average ongoing annual burden per supervised person.

36 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

c. Burdens for New Investment Advisers and Supervised Persons

We believe that any new investment advisers and their supervised persons would likely only incur the same ongoing annual burden estimate rather than the initial burden because they would incorporate the proposed registration status in all communications at their inception and not have to conduct a review and identification of outstanding communications nor make changes to their already existing communications. We preliminarily estimate that the total burden for new investment advisers is 238.50 hours,[37] or approximately $34,105.50 on a monetized basis.[38] This would be an initial average burden of 0.5 hours per new investment adviser[39] (as monetized, is an initial average cost of $71.50 per new investment adviser).[40]

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per supervised person.

(0.5 hours x $143 total cost per supervised person x 245,408 supervised persons) = $17,546,672 total ongoing cost for supervised persons / 245,408 total number of supervised persons = $71.50 average ongoing annual cost per supervised person.

37 (0.5 hours x 477 new investment advisers) = 238.50 total burden for new investment advisers.

38 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per investment adviser.

(0.5 hours x $143 total cost per investment adviser x 477 new investment advisers) = $34,105.50 total initial cost for new investment advisers.

39 (0.5 hours x 477 new investment advisers) = 238.50 total initial burden for new investment advisers.

(238.50 total initial burden for new investment advisers/ 477 total new investment advisers) = 0.5 hours average initial burden per investment adviser.

40 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per investment adviser.

Additionally, we anticipate 1,500 hours[41] for new supervised persons of an investment adviser, or approximately $214,500 on a monetized basis[42] resulting from these requirements. This would be an initial average burden of 0.5 hours per new supervised person[43] (as monetized, is an initial average cost of $71.50 per supervised person).[44]

(0.5 hours x $143 total cost per investment adviser x 477 new investment advisers) = $34,105.50 total cost for new investment advisers / 477 total number of new investment advisers = $71.50 average initial cost per new investment adviser.

41 (0.5 hours x 3,000 new supervised persons) = 1,500 total burden for new supervised persons.

42 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per supervised person.

(0.5 hours x $143 total cost per supervised person x 3,000 new supervised persons) = $214,500 total cost for new supervised persons.

43 (0.5 hours x 3,000 new supervised persons) = 1,500 total initial burden for new supervised persons.

(1,500 total initial burden for new supervised persons / 3000 total new supervised persons) = 0.5 hours average initial burden per new supervised person.

44 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for compliance services is $298, for business operation services is $268, and for information technology services is $270.

This figure was calculated as follows: 0.5 hours / 3 firm staff categories (*i.e.* compliance, business operations, and information technology) = 0.17 hours per staff category.

($298 compliance/hour x 0.17) = $51 per 0.17 of an hour.

($268 business operations rate/hour x 0.17) = $46 per 0.17 of an hour.

($270 information technology rate/hour x 0.17) = $46 per 0.17 of an hour.

$51 + $46 + $46 = $143 total cost per supervised person.

(0.5 hours x $143 total cost per supervised person x 3,000 new supervised persons) = $214,500 total cost for new supervised persons / 3,000 total number of new supervised persons = $71.50 average initial cost per new supervised person.

Table 1: Summary of Annual Responses, Burden Hours, and Burden Hour Costs Estimates for Rule 211h-1

IC	Rule 211h-1 under the Investment Advisers Act of 1940	**Annual No. of Responses**			**Annual Time Burden (Hrs.)**			**Monetized Time Burden ($)**		
	Description of Parts of IC	*Previously approved*	*Requested Change Due to Agency Discretion*	*Total*	*Previously approved*	*Requested Change Due to Agency Discretion*	*Total*	*Previously approved*	*Requested Change Due to Agency Discretion*	*Total*
IC1	Initial Costs for Existing Investment Advisers and Supervised Persons	0.00	245,408.00	245,408.00	0.00	393,145.00	393,145.00	0.00	91,196,882.00	91,196,882.00
IC1	Ongoing Annual Burdens for Investment Advisers and Supervised Persons	0.00	7,625.00	7,625.00	0.00	126,516.50	126,516.50	0.00	18,091,859.50	18,091,859.50
IC1	Burdens for New Investment Advisers and Supervised Persons	0.00	3,477.00	3,477.00	0.00	1,738.50	1,738.50	0.00	34,105.50	34,105.50
Total for IC		0.00	256,510.00	256,510.00	0.00	521,400.00	521,400.00	0.00	109,322,847.00	109,322,847.00

13. Cost to Respondents

Aside from the internal initial burden, we anticipate that there would be certain associated outside costs as well. We estimate that the total estimated external cost to respondents for rule 211h-1 would be approximately $366,352,531 hours, as explained in the discussion below.

We believe that investment advisers and their supervised persons may engage outside counsel to assist them in understanding our proposed rule should it be adopted.[45] We assume that the amount of outsourced legal assistance would vary among various sizes of investment advisers and their number of supervised persons. As a result, we preliminarily estimate that large investment advisers together with their supervised persons may initially outsource approximately 8 hours of legal time in order to understand the implications of our proposed rule and how best to comply with the technical specifications.[46] For small investment advisers, we anticipate that such firms will outsource 4 hours of legal time.[47] The hour differences in our preliminary estimates take into account that larger firms have more communications affected by our proposed rule and more supervised persons to supervise than small firms. We estimate initial outside legal costs associated with the proposed rule of $19,565,344 for investment advisers[48] (or $2,566 on average per investment adviser).[49]

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45 We are assuming that supervised persons would not independently seek outside counsel and would instead rely on the advice received from outside counsel to the firm. Therefore, we are not including a separate estimate for supervised persons.

46 This estimate is based upon staff experience. *See e.g. See e.g.* Disclosure of Order Handling Information Proposed Rule, Securities Exchange Act Release No. 34-78309 (July 13, 2016) ("Release 34-78309") (estimating 4 hours for legal burden "to assign each order routing strategy for institutional orders into passive, neutral, and aggressive categories and establish and document its specific methodologies for assigning order routing strategies as required by Rule 606(b)(3)(v)"); Regulation of NMS Stock Alternative Trading Systems Proposed Rule, Securities Exchange Act Release No. 34-76474 (Nov. 18, 2015) ("Release 34-76474") (estimating 7 legal hours "to put in writing its safeguards and procedures to protect subscribers' confidential trading information and the oversight procedures to ensure such safeguards and procedures are followed….").

47 This estimate is based upon staff experience. *See supra* note 46.

48 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for legal services is $472/hour.

($472 x 8 legal hours) = $3,776 x 2,738 large investment advisers = $10,338,688.

($472 x 4 legal hours) = $1,888 x 4,887 small investment advisers = $9,226,656.

($10,338,688 total large investment advisers costs + $9,226,656 total small investment advisers costs) = $19,565,344.

49 Based on the SIFMA Management and Professional Earnings Report, Commission staff preliminarily estimates that the average hourly rate for legal services is $472/hour.

($472 x 8 legal hours) = $3,776 x 2,738 large investment advisers = $10,338,688.

($472 x 4 legal hours) = $1,888 x 4,887 small investment advisers = $9,226,656.

$10,338,688 total large investment advisers costs + $9,226,656 total small investment advisers costs = $19,565,344 /7625 total investment advisers = $2,566 total cost per investment adviser.

Additionally, we anticipate that firms will also have one-time outside costs associated with the cost of printing new communications including new business cards, envelopes, pitch books, and letterheads. As part of these costs, we anticipate that both large and small investment advisers will have to work with printers to set the disclosure on, for example, business cards. We estimate initial costs to amend certain communications associated with the proposed rule of $346,787,187 for investment advisers[50] (or $45,480 per investment adviser).[51] We assume that because small investment advisers have fewer supervised persons there will be less communications that will require printing.

We do anticipate that new investment advisers would also incur similar outside legal costs, depending on their size, as discussed above. We do not believe that such new investment advisers would incur outside printing costs as a result of our proposed rule because these new firms would have their print communications produced with the appropriate disclosure initially as part of other materials they seek to have printed.

14. Estimate of Cost to Federal Government

There are no costs to the federal government directly attributable to proposed rule 211h-1.

15. Change in Burden

Not applicable. This is the first request for approval of the collection of information for this rule.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable.

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50 Our estimates are based on staff experience and industry materials. In particular, staff factored in its cost estimate the costs associated with printing envelopes, pitch books, letter heads, and business cards. For large investment advisers, we assume printing costs of $65,973. For small investment advisers, we assume printing costs of $33,999.

($65,973 x 2,738 large investment advisers = $180,634,074) + ($33,999 x 4,887 small investment advisers = $166,153,113) = $346,787,187 total investment adviser outside costs.

51 ($65,973 x 2,738 large investment advisers = $180,634,074) + ($33,999 x 4,887 small investment advisers = $166,153,113) = $346,787,187 total investment adviser outside costs / 7,625 investment advisers =$45,480 total cost per investment adviser.

B. Collection of Information Employing Statistical Methods

Not applicable.