**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 ("PRA"), 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 and 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 $3.84 trillion of municipal securities outstanding. Trading volume is also substantial, with over $2.9 trillion of long and short-term municipal securities traded in 2017 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 disclosure documents are not provided to them on a timely basis.

[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, a Participating Underwriter is 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 Municipal Securities Rulemaking Board's ("MSRB") 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.

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.

*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 and Adopted Amendments to Rule 15c2-12*

In March 2017, the Commission proposed to amend Rule 15c2-12.[2] First, the Commission 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 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 obligated person, any of which reflect financial difficulties.

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

Second, the Commission proposed to amend Rule 15c2-12(f) to add a definition for the term "financial obligation." Under the proposed definition, the term financial obligation meant 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 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).

*Adopted Amendments to Rule 15c2-12*

In August 2018, the Commission adopted amendments to Rule 15c2-12.[3] Paragraphs (15) and (16) were added to Rule 15c2-12(b)(5)(i)(C) as proposed. Accordingly, as of the compliance date of the Rule a Participating Underwriter in an offering will be required 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 obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the 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 obligated person, any of which reflect financial difficulties.

The Commission also adopted amendments to Rule 15c2-12(f) to add a definition of the term "financial obligation." As discussed below, the definition was narrowed from what was proposed, in part to alleviate the burden on issuers, obligated persons, and broker-dealers. As adopted, the term financial obligation means a (i) debt obligation; (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). 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.

Lastly, the Commission adopted the technical amendment to Rule 15c2-12(b)(5)(i)(C)(14) as proposed, removing the term "and" to account for new paragraphs (b)(5)(i)(C)(15) and (16).

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

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

[3] Amendments to Municipal Securities Disclosure, Exchange Act Release No. 34-83885 (Aug. 20, 2018) ("Adopting Release").

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 is designed to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to important information about municipal securities, 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 amendments will provide 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 amendments will enable market participants and the public to be better informed about material events that occur with respect to municipal securities and their issuers and will 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.

In 2008, 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. The Commission continues to believe that the use of EMMA by investors and other market participants has increased efficiency in 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 indirect 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**

The purpose of Rule 15c2-12 is to prevent fraud by enhancing the timely access of underwriters, public investors, and other interested persons to important information about municipal securities. The Commission believes Rule 15c2-12 and the adopted amendments are reasonably designed to prevent fraudulent, deceptive, or manipulative acts or practices in the municipal securities market. Not conducting or narrowing the collection of information set forth in Rule 15c2-12 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 its 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. 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 received comment letters addressing the Commission's estimates of the added burden and cost of the proposed amendments as well as prior Commission estimates of the burden and cost of Rule 15c2-12 prior to the amendments.[4] Commission staff also consulted with MSRB staff concerning the burdens and costs to the MSRB of complying with the amendments as well as Rule 15c2-12 prior to the amendments.

As discussed in greater detail below in Item 15, based on the new information provided by commenters in response to the Proposing Release[5] and MSRB staff in consultations, Commission staff has substantially revised many of its burden and cost estimates.

**9) Payment or Gift**

Not applicable.

**10) Confidentiality**

No assurances of confidentiality have been provided.

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4 Letters from Clifford M. Gerber, President, National Association of Bond Lawyers ("NABL OMB Letter"), April 11, 2017; Tracy Ginsburg, Executive Director, Texas Association of School Business Officials ("TASBO Letter"), May 9, 2017; Leslie M. Norwood, Managing Director and Associate General Counsel, Securities Industry Financial Markets Association, ("SIFMA Letter"), May 15, 2017; John J. Wagner, Kutak Rock LLP ("Kutak Rock Letter"), May 15, 2017; Emily S. Brock, Director, Federal Liaison Center, Government Finance Officers Association ("GFOA Letter"), May 15, 2017; Cristeena G. Naser, Vice President, Center for Securities, Trust & Investments, American Bankers Association ("ABA Letter"), May 15, 2017; Dr. Marcelo Cavazos, Superintendent, Arlington Independent School District, ("Arlington SD Letter"), May 12, 2017; Kristin M. Bronson, City Attorney, Denver, Colorado ("Denver Letter"), May 12, 2017); Charisse Mosely, Deputy City Controller, City of Houston, Texas ("Houston Letter"), May 15, 2017; Joanne Wamsley, Vice President for Finance and Deputy Treasurer, Arizona State Universities ("AZ Universities Letter"), May 15, 2017; Donna Murr, President, National Association of Health and Educational Facilities Finance Authorities ("NAHEFFA Letter"), May 15, 2017, Susan Gaffney, Executive Director, National Association of Municipal Advisors ("NAMA Letter"), May 15, 2017; Alexander M. MacLennan, President, National Association of Bond Lawyers ("NABL III Letter"), June 13, 2018; School Improvement Partnership ("SIP Letter"), May 31, 2018.

5 Many commenters did not address the PRA estimates or did not address it beyond broadly claiming that the burden would be excessive. The NABL OMB Letter, SIFMA Letter, Kutak Rock Letter, and GFOA Letter substantively addressed the burden estimates, and in particular, many commenters incorporated by reference the estimates contained in the NABL OMB letter.

**11) Sensitive Questions**

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information.

**12) Burden of Information Collection and**
**13) Cost to Respondents**

The tables below set forth the Commission's estimates of respondent reporting burden and total annualized cost burden, including one-time burdens and costs in separate columns. The tables capture the Commission's estimates for Rule 15c2-12 prior to the amendments, the Commission's estimates for Rule 15c2-12 contained in the Proposing Release, and the Commission's revised estimates for Rule 15c2-12 contained in the Adopting Release. The changes in estimates of burden and costs are explained below in Item 15.

**THIRD-PARTY DISCLOSURE BURDEN AND COST**

| ***Estimates Prior to the Amendments*** | | | |
|---|---|---|---|
| | **Responses** | **Annual Burden (hours)** | **Annual Cost** |
| 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 | 13,000 | 0 | $9,750,000 |
| Total Estimates Prior to the Amendments | **156,389** | **621,758** | **$9,750,000** |

| *Estimates in Proposing Release* | | | | | |
|---|---|---|---|---|---|
| | **Responses** | **Annual Burden (hours)** | **Annual Cost** | **One-Time Burden (hours)** | **One-Time Cost** |
| Broker-dealers | 250 | 25,000 | $0 | 0 | $0 |
| Issuers (annual filings) | 62,596 | 438,172 | $0 | 0 | $0 |
| Issuers (event notices) | 75,680 | 151,360 | $0 | 0 | $0 |
| Issuers (failure to file notices) | 7,063 | 14,126 | $0 | 0 | $0 |
| Issuers that use the services of a designated agent to submit continuing disclosure documents | 13,000 | 0 | $10,335,000 | 0 | $0 |
| Issuers (to revise continuing disclosure agreements to reflect the proposed amendments) | 20,000 | 0 | $0 | 0 | $2,000,000 |
| Broker-dealers (to issue a notice informing employees about new obligations under amendments) | 250 | 0 | 0 | 125 | $0 |
| Total Estimates in Proposing Release | **178,839** | **628,658** | **$10,335,000** | **125** | **$2,000,000** |

| *Revised Estimates in Adopting Release* | | | | | |
|---|---|---|---|---|---|
| | **Responses** | **Annual Burden (hours)** | **Annual Cost** | **One-Time Burden (hours)** | **One-Time Cost** |
| Broker-dealers | 13,658 | 126,337 | $0 | 0 | $0 |
| Issuers (annual filings) | 62,596 | 438,172 | $0 | 0 | $0 |
| Issuers (event notices) | 75,680 | 302,720 | $1,760,000 | 0 | $0 |
| Issuers (failure to file notices) | 7,063 | 14,126 | $0 | 0 | $0 |
| Issuers that use the services of a designated agent to submit continuing disclosure documents | 18,200 | 0 | $14,469,000 | 0 | $0 |
| Issuers (to revise continuing disclosure agreements to reflect the proposed amendments) | 28,000 | 0 | $0 | 0 | $2,800,000 |
| Broker-dealers (to issue a notice informing employees about new obligations under amendments) | 250 | 0 | 0 | 1,250 | $0 |
| Total Revised Estimates in Adopting Release | **205,447** | **881,355** | **$16,229,000** | **1,250** | **$2,800,000** |

**RECORDKEEPING BURDEN AND COST**

| *Estimates Prior to the Amendments* | | | |
|---|---|---|---|
| | **Responses** | **Annual Burden (hours)** | **Annual Cost** |
| Municipal Securities Rulemaking Board | 1 | 12,699 | $10,000 |

| *Estimates in Proposing Release* | | | | | |
|---|---|---|---|---|---|
| | **Responses** | **Annual Burden (hours)** | **Annual Cost** | **One-Time Burden (hours)** | **One-Time Cost** |
| Municipal Securities Rulemaking Board | 1 | 12,699 | $10,000 | 1,162 | $0 |

| *Revised Estimates in Adopting Release* | | | | | |
|---|---|---|---|---|---|
| | **Responses** | **Annual Burden (hours)** | **Annual Cost** | **One-Time Burden (hours)** | **One-Time Cost** |
| Municipal Securities Rulemaking Board | 1 | 19,500 | $520,000 | 1,700 | $0 |

**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 Commission made substantial changes to its estimates of burden and cost in response to comment letters received. The discussion below closely tracks the Paperwork Reduction Act analysis in the Adopting Release.

***Burden for Broker-Dealers***

Prior Estimates

Under Rule 15c2-12 prior to these amendments, the Commission estimated that approximately 250 broker-dealers could potentially serve as Participating Underwriters in an offering of municipal securities. The Commission's estimate prior to these amendments of the total annual burden on all 250 broker-dealers is 22,500 hours (90 hours per broker-dealer per year), which is the sum of two separate burdens (1) 2,500 hours per year for 250 broker-dealers (10 hours per broker-dealer per year) 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 broker-dealer per year) 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).

In the Proposing Release, the Commission estimated that the amendments to the Rule would result in an increase of 2,500 hours per year (10 hours per broker-dealer per year) for broker-dealers 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 paragraph (b)(5)(i) of the Rule. Using the Commission's prior estimate of 20,000 hours per year (80 hours per broker-dealer per year) as a baseline for this burden, the Commission estimated that broker-dealers would incur an additional 2,500 hours per year, for a total estimated burden of 22,500 hours per year (90 hours per broker-dealer per year) to make this determination. Therefore, in the Proposing Release, the Commission estimated that the total annual burden of

broker-dealers acting as a Participating Underwriter in an Offering would increase by 2,500 hours to 25,000 hours annually (100 hours per broker-dealer per year).[6]

Comments Received

The Commission received no comments on its estimate that broker-dealers would continue to incur a burden of 2,500 hours per year (10 hours per broker-dealer per year) to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of municipal securities, to provide continuing disclosure documents to the MSRB. However, as discussed in further detail below, the Commission is revising its method for calculating the PRA burden on broker-dealers. Accordingly, this estimate is being changed to reflect the new calculation method.

The Commission received several comments on its estimate that the amendments, by adding two event notices to paragraph (b)(5)(i)(C) of the Rule, would increase the burden on broker-dealers by 2,500 hours (10 hours per broker-dealer per year) 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 paragraph (b)(5)(i) of the Rule. One commenter stated that because the amendments were "substantially overbroad in scope," they would subject broker-dealers acting as Participating Underwriters in Offerings to "enormous burdens" beyond what had been estimated.[7] Another commenter criticized the Commission's estimate as failing to account for the time needed to interpret the "broad" definition of "financial obligation" contained in the proposed amendments, assess the materiality of events, and complete review procedures.[8] That commenter stated that the Commission's estimates of an increase in burden of ten hours per broker-dealer per year, when calculated on a per issuance basis, resulted "in an average additional underwriter burden of approximately 12 minutes" per issuance of municipal securities.[9] That commenter further stated that this estimate was unrealistic because each broker-dealer, to comply with the proposed amendments, would have to "obtain a list of all financial obligations (bonds, notes, leases, guarantees, derivatives, and monetary obligations from judicial, administrative, or arbitration proceedings), obtain a copy of

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6 This estimate reflected the following: 2,500 hours (estimate for broker-dealers to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of municipal securities, to provide continuing disclosure documents to the MSRB) + [20,000 hours (estimate under the Rule prior to these amendments for broker-dealers 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 paragraph (b)(5)(i) of the Rule) + 2,500 hours (estimate of the increased burden due to the amendments on broker-dealers to determine whether issues or obligated persons have failed to comply, in all material respects, with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule )] = 25,000 hours.

7 See ABA Letter.

8 See NABL OMB Letter.

9 See id.

the financial obligation," and then perform a series of reviews, including whether the financial obligation is "material," to determine whether the issuer had failed to comply with any previous undertakings in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.[10]

Commenters also criticized the Commission's prior estimate, predating the proposed amendments, that broker-dealers would incur a burden of 20,000 hours per year (80 hours per broker-dealer per year) 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 paragraph (b)(5)(i) of the Rule.[11] These commenters contended that, irrespective of the increased burden from the proposed amendments, the Commission's prior estimates of this burden on broker-dealers were also far too low.[12] One commenter argued that the Commission's prior PRA estimates "greatly underestimated the compliance burdens of the existing Rule," and, noting that the Commission used its prior PRA estimates as the starting point for its new burden estimates, criticized the Commission for its "reliance on inapposite, faulty prior estimates."[13] That commenter also argued that "as a result of subsequent Commission actions, its prior estimates are no longer indicative."[14] That commenter further discussed prior Commission estimates of PRA burdens attributable to Rule 15c2-12, arguing that the prior estimates had contained "gross inaccuracies" that had not been sufficiently addressed.[15]

Revised Estimates of Burden

The Commission has considered the comments received and in response is revising its method to calculate the PRA burden for broker-dealers under Rule 15c2-12. In doing so, the Commission is also revising (1) its estimate that broker-dealers would continue to incur a burden of 2,500 hours per year (10 hours per broker-dealer per year), to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of municipal securities, to provide continuing disclosure documents to the MSRB; (2) its estimate that the amendments would increase the burden on broker-dealers by 2,500 hours (10

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10 See id.

11 As discussed above, under the Rule prior to these amendments, the Commission estimated that the total annual burden for broker-dealers 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 paragraph (b)(5)(i) of the Rule was 20,000 hours, or 80 hours per year per broker-dealer. The Commission used this estimate as a baseline for its estimate in the Proposing Release, concluding that the proposed amendments would add 2,500 hours of additional burden on broker-dealers to perform this task, for a total of 22,500 hours.

12 See, e.g., NABL OMB Letter; SIFMA Letter.

13 See NABL OMB Letter.

14 See id.

15 See id. (highlighting the "substantial 'due diligence' time" spent by 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 paragraph (b)(5)(i) of the Rule).

hours per broker-dealer per year), 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 paragraph (b)(5)(i) of the Rule; and (3) its prior estimates under the Rule, predating the proposed amendments, that the total annual burden for broker-dealers 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 paragraph (b)(5)(i) of the Rule was 20,000 hours (80 hours per broker-dealer per year).

In prior PRA submissions, the Commission calculated the PRA burden on broker-dealers on a collective, rather than per issuance, basis, primarily focusing on the number of broker-dealers acting as Participating Underwriters in Offerings. However, in response to comments,[16] the Commission is now calculating the PRA burdens on broker-dealers under Rule 15c2-12 on a per issuance of municipal securities basis. The Commission believes this is appropriate because a broker-dealer's obligations under Rule 15c2-12 are triggered by acting as a Participating Underwriter in an Offering. This method is consistent with the Commission's estimates of the PRA burden on issuers for the Rule, which are also calculated on a per event basis. The Commission is basing its estimate on the average number of primary market submissions to the MSRB over the past three years – 13,658.[17]

Using this new method of calculation, the Commission is revising its estimate that broker-dealers would continue to incur a burden of 2,500 hours per year (10 hours per broker-dealer per year), to reasonably determine that the issuer or obligated person has undertaken, in a written agreement or contract, for the benefit of holders of municipal securities, to provide continuing disclosure documents to the MSRB.[18] The Commission estimates that broker-dealers will incur a 15 minute burden per issuance of municipal securities to make this determination, resulting in an annual burden on all broker-dealers of approximately 3,415 hours (approximately 13.7 hours per broker-dealer per year).[19] This revised estimate constitutes an increase of approximately 915 hours (approximately 3.7 hours per broker-dealer) over the estimates

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16 See id.

17 According to the MSRB Fact Book for each respective year, in 2017 there were 12,709 primary market submissions to the MSRB, in 2016 there were 14,314 primary market submissions to the MSRB, and in 2015 there were 13,952 primary market submissions to the MSRB. 12,709 + 14,314 + 13,952 = 40,975. 40,975/3 = 13,658. See MSRB 2017 Fact Book (Mar. 18, 2018), available at http://www.msrb.org/~/media/Files/Resources/MSRB-Fact-Book-2017.ashx?la=en.

18 As discussed above, this estimate received no comments from commenters and the Commission continues to believe that this burden is unaffected by the amendments. This estimate is being revised solely to correspond with the Commission's new method of calculation.

19 13,658 (estimated annual issuances) x .25 (hourly burden 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) = 3,414.5 hours. 3,414.5 hours/250 (estimated number of broker-dealers) = 13.65 hours.

provided in the Proposing Release.[20] No commenter provided an estimate for this burden. However, the Commission understands that most continuing disclosure agreements are provided to the broker-dealer by the issuer or obligated person and that most of these agreements are standard form agreements[21] of limited length. Further, the Commission believes that the determination required to be made – that the issuer or obligated person has undertaken to provide continuing disclosure documents to the MSRB – is a narrow one that does not require a substantial time commitment from the broker-dealer. For these reasons, the Commission believes the estimate of a 15 minute burden per issuance is appropriate.

The Commission is also revising its estimate that the amendments, by adding two event notices to paragraph (b)(5)(i)(C) of the Rule, would increase the burden on broker-dealers by 2,500 hours per year (10 hours per broker-dealer per year) 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 paragraph (b)(5)(i) of the Rule. Under the new method of calculation, the Commission believes that the amendments will, on average, amount to an additional one hour burden per issuance of municipal securities, resulting in an annual increased burden on all broker-dealers of 13,658 hours (approximately 55 hours per year per broker-dealer).[22] This revised estimate constitutes an increase of 11,158 hours (approximately 45 hours per broker-dealer), over the estimates provided in the Proposing Release.[23] The Commission believes this revised estimate appropriately reflects the concerns raised by commenters while also recognizing that the amendments have been narrowed from the amendments as proposed.[24]

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20 In the Proposing Release, the Commission estimated broker-dealers would continue to incur a burden of 2,500 hours per year, or ten 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 municipal securities, to provide continuing disclosure documents to the MSRB. 3,415 hours – 2,500 hours = 915 hours.

21 Although not required by the Commission, a staff letter suggested that a standard form should be used. See Letter from Catherine McGuire, Chief Counsel, Division of Market Regulation, U.S. Securities and Exchange Commission, to John S. Overdorff, Chair, Securities Law and Disclosure Committee, Nat' Ass'n of Bond Lawyers (Sept. 19, 1995), available at https://www.sec.gov/info/municipal/nabl-2-interpretive-letter-1995-09-19.pdf ("NABL 2") (stating that such documents "should list all events in the same language as is contained in the rule, without any qualifying words or phrases").

22 13,658 (estimated annual issuances) x 1 (average additional hourly burden per issuance as a result of the amendments) = 13,658 hours. 13,658 hours/250 (estimated number of broker-dealers) = 54.63 hours.

23 In the Proposing Release, the Commission estimated that the amendments to the Rule would result in an additional 2,500 hours annually (an additional 10 hours per year per broker-dealer) for broker-dealers 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 paragraph (b)(5)(i) of the Rule. 13,658 hours (new estimate of annual increased burden on broker-dealers) – 2,500 hours (previous estimate) = 11,158 hours. 11,158/250 (estimated number of broker-dealers) = 44.63 hours.

24 The adopted definition of "financial obligation" in the Rule has significantly limited the scope of leases covered and no longer covers monetary obligations resulting from a judicial, administrative, or arbitration

Finally, the Commission is revising its prior estimates, predating the proposed amendments, that the total annual burden for broker-dealers 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 paragraph (b)(5)(i) of the Rule is 20,000 hours (80 hours per broker-dealer per year). No commenter provided an estimate for this burden. Under the new method of calculation, the Commission believes that broker-dealers will incur 8 hours of burden per issuance of municipal securities to make this determination, resulting in an annual burden on broker-dealers of 109,264 hours (approximately 437 hours per broker-dealer per year).[25] This revised estimate constitutes an increase of 89,264 hours (an increase of approximately 357 hours per broker-dealer), over the estimate provided in the Proposing Release.[26] The Commission arrived at the 8 hour per issuance burden estimate after considering (1) the comments addressing the prior burden estimates for broker-dealers under Rule 15c2-12, particularly the comments related to the Commission's prior PRA submissions, (2) comments addressing the potential that broker-dealer burdens may have shifted as a result of subsequent Commission action; (3) the MSRB's statistics concerning the number of event notices filed on an annual basis; and (4) the potential volume of documentation to be reviewed under this obligation.[27] Based on the Commission's experience, the Commission believes that the estimate of an average burden of 8 hours per issuance is appropriate.

Accordingly, under the Commission's revised estimates, the total annual burden for all broker-dealers acting as Participating Underwriters in Offerings will be 126,337 hours (approximately 505 hours per broker-dealer per year),[28] or an average of 9.25 hours per issuance

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proceeding. Accordingly, broker-dealers, when determining whether issuers or obligated persons have failed to comply with the events added by the amendments, will have a smaller set of "financial obligations" to review.

25 13,658 (estimated annual issuances) x 8 (average burden estimate per issuance for broker-dealers 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 paragraph (b)(5)(i) of the Rule) = 109,264 hours. 109,264 hours/250 (estimated number of broker-dealers) = 437.05 hours.

26 In the Proposing Release, the Commission estimated that the broker-dealer burden, not including the proposed amendments, for determining 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 paragraph (b)(5)(i) of the Rule, was 20,000 hours (80 hours per year per broker-dealer). See Proposing Release, supra note 2, 82 FR at 13943-44. 109,264 hours (revised estimate of this broker-dealer burden) – 20,000 hours (estimate in the Proposing Release) = 89,264 hours. 89,264/250 (estimated number of broker-dealers) = 357.05 hours.

27 See MSRB 2017 Fact Book, supra note 17.

28 109,264 hours (revised estimate of broker-dealer burden, prior to the amendments, 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 paragraph (b)(5)(i) of the Rule) + 13,658 hours (revised estimate of additional broker-dealer burden, due to the amendments, 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 paragraph (b)(5)(i) of the Rule) + 3,415 hours (revised annual estimate for broker-dealers to reasonably determine that the issuer or obligated person has undertaken, in a

of municipal securities.[29] This revised estimate constitutes an increase of 101,337 hours (approximately 405 hours per broker-dealer) over the estimates in the Proposing Release for the entire broker-dealer community.[30] The Commission understands that burdens will vary across broker-dealers and across specific issuances depending on numerous factors, such as the frequency of issuances by the issuer, size and complexity of the issuer, and the familiarity of the broker-dealer with the issuer. The burden for some broker-dealers will exceed our estimate, and the burden for others will be less. However, the Commission believes, on balance, that 126,337 hours (on average approximately 505 hours per broker-dealer per year), is a reasonable estimate for the time needed for broker-dealers acting as Participating Underwriters in Offerings to comply with their obligations under Rule 15c2-12.

One-Time Burden for Broker-Dealers

In the Proposing Release, the Commission estimated that each broker-dealer acting as a Participating Underwriter in an Offering would incur a one-time paperwork burden to have an 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.[31] Based on prior estimates for similar amendments, the Commission estimated that it would take each broker-dealer's internal compliance attorney approximately 30 minutes to prepare and issue a notice describing the broker-dealer's obligations in light of the proposed amendments, for a total one-time, first-year burden of 125 hours for the entire broker-dealer community.[32] The Commission also stated that it believed the task of preparing and issuing a notice advising the broker-dealer's employees about the proposed amendments is consistent with the type of compliance work that a broker-dealer typically handles internally.

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written agreement or contract, for the benefit of holders of such municipal securities, to provide continuing disclosure documents to the MSRB) = 126,336.5 hours. 126,337 hours/250 (estimated number of broker-dealers) = 505.35 hours.

29 0.25 hours (revised estimate of burden per issuance for 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 municipal securities, to provide continuing disclosure documents to the MSRB) + 1 hour (revised estimate of additional burden per issuance, due to the amendments, for broker-dealers 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 paragraph (b)(5)(i) of the Rule) + 8 hours (revised estimate of burden per issuance, prior to the amendments, for broker-dealers 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 paragraph (b)(5)(i) of the Rule) = 9.25 hours per issuance.

30 126,337 hours (revised estimate of total broker-dealer burden) – 25,000 hours (estimate of total broker-dealer burden in Proposing Release) = 101,337 hours. 101,337 hours/250 (estimated number of broker-dealers) = 405.35 hours.

31 See Proposing Release, supra note 2, 82 FR at 13944.

32 See id.

One commenter expressed concern that the Commission's estimate of the one-time burden on broker-dealers acting as Participating Underwriters in Offerings was too low.[33] The commenter stated that broker-dealers would have to "identify their resulting duties, develop procedures for complying with them (including means for determining appropriate review levels and materiality judgments in commonly recurring circumstances), communicate the procedures to applicable personnel, and include the procedures in periodic training."[34] The commenter did not provide its own estimate for the one-time burden on broker-dealers. In response to this comment, the Commission is revising its estimate of the time it will take each broker-dealer to prepare and issue a notice advising its employees about the amendments to Rule 15c2-12 from 30 minutes per broker-dealer to five hours per broker-dealer. The Commission believes this revised estimate more accurately captures the time needed to complete the tasks identified by the commenter while also recognizing that the Commission has narrowed the scope of the amendments and removed several terms that commenters had characterized as burdensome and time-consuming to interpret and implement.

Accordingly, the Commission estimates that the 250 broker-dealers acting as a Participating Underwriter in Offerings would incur a one-time burden of five hours each, for a total one-time, first year burden of 1,250 hours for all broker-dealers. Under the amendments to Rule 15c2-12 as adopted, the total burden on all broker-dealers would be 127,587 hours for the first year[35] and 126,337 hours for each subsequent year.

***Burden for Issuers***

Prior Estimates

Under the Rule prior to these amendments, the Commission estimates that issuers prepare and submit annually: (1) 73,480 event notices, with each notice taking approximately two hours to prepare and submit; (2) 62,596 annual filings, with each filing taking approximately seven hours to prepare and submit; and (3) 7,063 failure to file notices, with each notice taking approximately two hours to prepare and submit. Accordingly, under the estimate prior to these amendments, issuers would incur a total annual burden of 599,258 hours.[36]

In the Proposing Release, the Commission estimated that the amendments to the Rule would result in an increase to the annual total burden of issuers. Specifically, the Commission estimated that the proposed amendment in subparagraph (b)(5)(i)(C)(15) of the Rule would

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33 See NABL OMB Letter.

34 See id.

35 126,337 (revised estimate of total annual burden for broker-dealers acting as a Participating Underwriter) + 1,250 (estimated one-time burden for broker-dealers acting as a Participating Underwriter) = 127,587.

36 73,480 (annual number of event notices) x 2 (average estimate of hours needed to prepare and submit each) + 62,596 (annual number of annual filings) x 7 (average estimate of hours needed to prepare and submit each) + 7,063 (annual number of failure to file notices) x 2 (average estimate of hours needed to prepare and submit each) = 599,258 hours.

increase the total number of event notices submitted by issuers annually by approximately 2,100 notices, and that the proposed amendment in subparagraph (b)(5)(i)(C)(16) would increase the total number of event notices submitted by issuers annually by approximately 100 notices. The Commission also estimated that the time required for an issuer to prepare and submit the proposed two additional types of event notices to the MSRB in an electronic format, including time to actively monitor the need for filing, would continue to be approximately two hours per filing, because the two proposed types of event notices would require substantially the same amount of time to prepare as those prepared for existing events. Accordingly, the Commission estimated that the increase in number of event notices would result in an increase of 4,400 hours in the annual paperwork burden for issuers to submit event notices, with a total annual paperwork burden for issuers to submit event notices of approximately 151,360 hours (146,960 hours + 4,400 hours), and a total annual burden on issuers of 603,658 hours.[37]

Comments Received

The Commission received several comments relating to the estimates of the Paperwork Reduction Act burden on issuers.[38] Commenters expressed concern that the Commission's estimates understated the burden of the proposed amendments on issuers because, in large part, the Commission failed to account for the overly broad definition of "financial obligation." One commenter criticized the term financial obligation for requiring "information that is both superfluous to investors and costly for issuers to present," further stating that "leases, for example, are transactions that take place many times per year in many jurisdictions and are commonly related to the ongoing operations of a government."[39] Another commenter stated that issuers "enter into a staggering number of leases and other financial obligations, as defined in the proposed amendments, in the ordinary course of providing important services to the public."[40] And another commenter stated that the definition of financial obligation could capture routine items such as equipment lease programs and short-term maintenance contracts.[41] Commenters also criticized the inclusion of "monetary obligation resulting from a judicial, administrative, or arbitration proceeding," stating that issuers could be subject to potentially hundreds of such obligations annually and that monitoring for such obligations would be expensive and time-

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37 75,680 (annual number of event notices including additional 2,200 event notice burden created by amendments) x 2 (average estimate of hours needed to prepare and submit each) + 62,596 (average number of annual filings) x 7 (average estimate of hours needed to prepare and submit each) + 7,063 (average number of failure to file notices) x 2 (average estimate of hours needed to prepare and submit each) = 603,658 hours. The Commission believed that the proposed amendments would not affect the number of annual filings or failure to file notices required to be filed by issuers, so those estimates were unchanged from the estimates under the Rule prior to these amendments.

38 See GFOA Letter; NABL OMB Letter; Kutak Rock Letter; ABA Letter; SIP Letter; NABL III Letter.

39 See GFOA Letter.

40 See NABL OMB Letter.

41 See Kutak Rock Letter.

consuming.[42] Many commenters stated that, as defined, "financial obligations" incurred by the issuer would be managed across dozens of departments and that "significant expense and effort" would be required to train employees across these departments and create "a system of coordination and review that would enable the [issuer] to comply" with the proposed amendments.[43]

Commenters also criticized the Commission for failing to account for the burden created by what they termed the ambiguity of the term "material." One commenter argued that the Commission, by refusing to give explicit guidance as to materiality, will force issuers to "review voluminous, often inconsistent court decisions and administrative orders in an attempt to give clarity to the term."[44] The net result, the commenter argued, is that issuers will expend far more hours than estimated by the Commission to review "even routine financial obligations" for materiality.[45]

These commenters generally contended that the burden of complying with the proposed amendments was far greater than the Commission's estimates. One commenter, after surveying its members, estimated that the time needed to ensure compliance with the proposed amendments would be approximately seven hours per event notice required to be filed with the MSRB under the proposed rule.[46] Another commenter suggested that the time needed for an issuer to prepare and submit an event notice for the proposed amendments could be up to 100 times greater than the Commission's original estimate of two hours per notice.[47] And another commenter estimated that the total annual burden on issuers for preparing and submitting event notices would be 109,292 hours[48] for proposed amendment (15) and 530 hours[49] for proposed amendment (16).

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42 See, e.g. Houston Letter; Denver Letter.

43 See Denver Letter. See also, e.g. AZ Universities Letter, Kutak Rock Letter, NABL OMB Letter, NAHEFFA Letter.

44 See NABL OMB Letter.

45 See id.

46 See GFOA Letter ("Respondents estimated that the average amount of internal staff time committed to ensuring compliance to the proposed amendments would be 7.3 hours per material event and 7.8 per occurrence, modification of terms or other similar event.").

47 See Kutak Rock Letter.

48 See NABL OMB Letter. The commenter estimated that one-quarter of 34,696 issuers (as discussed above, the Commission believes this likely overstates the number of issuers) would each file three material event notices annually under the proposed amendment (15), and each notice would take 4.2 hours to prepare and file. Using these estimates, issuers would file an additional 26,022 event notices to comply with proposed amendment (15) based off the following: 34,696 (estimated number of issuers) x .25 (estimated percentage of such issuers filing event notices under proposed amendment (15)) x 3 (number of event notices needed to be filed be each such issuer) = 26,022 filings. The commenter did not provide any basis for its estimate that one-quarter of issuers would need to file event notices, or any basis for its estimate that each such issuer would file three event notices, which would result in an additional 26,022 filings. Moreover, the commenter was basing its estimates on the proposed amendments, not the narrowed, adopted definition of "financial obligation.".

That commenter further estimated that issuers would spend 867,400 hours[50] a year monitoring for possibly reportable events and 173,480 hours[51] evaluating possibly reportable events. Commenters also criticized past Commission estimates of issuer burden for filing event notices for being "substantially understated."[52]

In both the Proposing Release and the Commission's estimates for Rule 15c2-12 prior to the amendments, the Commission estimated that 20,000 issuers would annually submit to the MSRB annual filings, event notices, and failure to file notices.[53] The Commission also received a comment stating that the true number of issuers affected by Rule 15c2-12 was not 20,000, as the Commission had estimated, but 34,696, or the number of filings on EMMA in 2016 listed under the category of "audited financial statements or CAFRs."[54] However, the Commission believes that category likely overstates the number of issuers affected by continuing disclosure agreements because a large number of those filings may not reflect distinct issuers filing separate audited financial statements. Instead, many of the documents filed under that category are supplemental documents, or multiple years of audited financial statements filed by a single issuer all in one year. Instead, based on recent data provided by the MSRB staff to the Commission staff in conjunction with this rulemaking, the Commission believes that an appropriate revised estimate is that 28,000 issuers are affected by continuing disclosure requirements under Rule 15c2-12.[55]

Revised Estimates of Burden

In response to comments, the Commission is revising, from two hours to four hours, its estimate of the average time needed for an issuer to prepare and submit an event notice to the

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49 See id. The commenter estimated that 100 notices would need to be filed under proposed amendment (16), and that each would take 5.3 hours to prepare and file. The commenter's estimate that each such notice would take 5.3 hours to prepare and file is based on a survey response.

50 See id. The commenter estimated that 34,696 issuers would each need 25 hours a year to monitor and elevate possibly reportable events under the proposed amendments. The commenter did not provide a basis for its estimate that every issuer would need 25 hours a year to monitor for such events.

51 See id. The commenter estimated that one-half of 34,696 issuers would need ten hours a year to evaluate possibly reportable events. The commenter did not provide a basis for its estimate that one-half of issuers would need to evaluate possibly reportable events, and its estimate that such an evaluation would take ten hours a year.

52 See id.

53 See Proposing Release, supra note 2, 82 FR at 13944; Submission for OMB Review; Comment Request (Extension: Rule 15c2-12, SEC File No. 270.330, OMB Control No. 3235-0372), 80 FR 9758 (Feb. 24, 2015) ("2015 PRA Notice"). The number of issuers in the estimate reflects those issuers that are affected by a continuing disclosure agreement.

54 See NABL OMB Letter.

55 28,000 is the approximate number of issuers identified in MSRB Form G-32 filings as agreeing to provide continuing disclosure information under Rule 15c2-12 dating from June 2018 back to February 2011, when the MSRB first began collecting such information.

MSRB in an electronic format, including time to actively monitor the need for filing. The Commission believes this change, which recognizes an increased annual burden estimate on issuers of 151,360 hours[56] from the estimates in the Proposing Release, appropriately reflects the concerns raised by the commenters that the original estimates were too low.[57] This four-hour estimate applies to the average time needed to monitor, prepare, and file all sixteen types of event notices, not just the two new event notices required by the amendments to the Rule. The Commission recognizes that the event notices required by the amendments may on average be more complex and require more than an average of four hours to monitor, evaluate, prepare, and file. But, as discussed below, the Commission believes that the adopted amendments will generate relatively few event notices and that the majority of the event notices required to be filed under the Rule are not as time-consuming for an issuer to monitor, evaluate, prepare, and file. As even commenters critical of the Commission's estimates stated, "the existing events under Rule 15c2-12 are generally objectively ascertainable by most laymen and rarely occur, making them easily identifiable by issuers and relatively inexpensive to handle."[58] Furthermore, the majority of event notices filed on EMMA in recent years have been for bond calls, which is an action typically instituted by the issuer itself and therefore one the issuer would require very little effort to monitor.[59] Accordingly, the Commission believes that increasing the estimate of average time needed to monitor, evaluate, prepare, and file an event notice in electronic format to the MSRB to four hours per event notice addresses the comments raised and forms an appropriate average estimate of the burden on issuers to comply with this collection of information requirement under the Rule.

However, the Commission is not changing its estimate that the amendments to the Rule will result in 2,200 additional event notices filed annually, raising the total number of event notices prepared by issuers annually to approximately 75,680. The Commission believes this estimate remains appropriate because of the adopted definition of financial obligation is narrower than the definition proposed in Proposing Release.[60] The adopted definition of financial

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56 75,680 (annual number of event notices) x 4 (revised estimate of hours needed to prepare and submit each) = 302,720 hours. This number includes and incorporates its estimate that the amendments, as adopted, add an additional 2,200 event notices to the burden estimates. The burden estimate in the Proposing Release was 75,680 event notices at 2 hours each, equaling 151,360 hours. 302,720 hours – 151,360 hours = 151,360 hours of increased burden over the estimate in the Proposing Release.

57 The Commission is not adopting the estimates of total burden provided by the commenters because those estimates were in response to amendments that have since been narrowed.

58 See Kutak Rock Letter.

59 According to the 2017 MSRB Fact Book, bond call notices in 2017 were 63 % of total event notices (38,198 of 60,883 total event notices). In 2016, bond call notices were 66% (41,862 of 63,586 event notices) of total event notices. See MSRB 2017 Fact Book, supra note 17.

60 Other than comments in the NABL OMB Letter discussed above in note 48, the Commission did not receive comments quantifying the increase in the total number of event notices that issuers would file because of the proposed amendments. As previously stated, the narrowing of the definition of "financial obligation" from the definition proposed in the Proposing Release should reduce the number of required

obligation removes or extensively limits the definitions, such as the modifications regarding leases, derivatives, and judicial obligations that commenters cited as the most burdensome. The adopted definition of financial obligation is tailored to apply only to debt, debt-like, and debt-related obligations that could impact an issuer's or obligated person's liquidity, overall creditworthiness, or an existing security holder's rights. The adopted definition narrows the number of transactions for which issuers and obligated persons will need to monitor, evaluate, review, or file notices. The Commission believes this change will reduce the burdens of the adopted amendments as compared to the proposed amendments. In particular, the focusing of "financial obligation" on instruments that compete with a security holder's interests, as a security holder will dramatically limit the need for issuers to centralize reporting and analysis for staff across multiple departments.[61] Moreover, in the Adopting Release, the Commission has provided examples intended to assist issuers in determining materiality under the Rule, addressing another issue commenters believed added to the burden of compliance with the Rule.

Under the amendments to Rule 15c2-12 as adopted, the total burden on issuers to submit continuing disclosure documents would be 755,018 hours.[62]

***Burden for the MSRB***

Under the Rule prior to these amendments, the Commission estimated that the MSRB incurred an annual burden of approximately 12,699 hours to collect, index, store, retrieve, and make available the pertinent documents under the Rule. In the Proposing Release, the Commission estimated, based on preliminary consultations between Commission staff and MSRB staff, that 12,699 hours was still a reasonable estimate with respect to operating the primary market and continuing disclosure submission platform, managing those submissions securely and deploying educational resources and other tools that make the submissions meaningful and useful. The Commission also estimated, based on consultations with the MSRB staff, that the MSRB would require a one-time burden of 1,162 hours to implement the necessary

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filings. Nonetheless, in light of the comments in the NABL OMB Letter suggesting that filings resulting from the proposed amendments might be higher than the Commission originally estimated, in light of a lack of data to quantify a reduction in filings resulting from the narrowed scope of the amendments, and to provide an estimate for the paperwork burden that would not be under-inclusive, the Commission has elected to retain the proposed estimate at this time.

61 Compare, e.g., Denver Letter (the broad scope of financial obligation will require "significant expense and effort . . . [to] train relevant City employees across dozens of departments and agencies and to create a system of coordination and review") and TASBO Letter ("school districts will be required to restructure their organizations and establish review processes in order to vet the types of 'financial obligations' captured under the broad definition included in the proposed regulations.") with BDA Letter (if the definition of financial obligation was "properly crafted around competing debt, all of the material 'financial obligations' would ordinarily fall within the responsibility of that one department because it tends to be responsible for all debt of the issuer.")

62 438,172 hours (estimated burden for issuers to submit annual filings) + 302,720 hours (estimated annual burden for issuers to submit event notices under the amendments) + 14,126 hours (estimated annual burden for issuers to submit failure to file notices) = 755,018 hours.

modifications to EMMA to reflect the additional mandatory disclosures under Rule 15c2-12. Accordingly, the Commission estimated that the total burden on the MSRB to collect, store, retrieve, and make available the disclosure documents covered by the Rule would be 13,861 hours[63] for the first year and 12,699 hours for each subsequent year.

The Commission received no comments on these estimates. However, the Commission is revising these estimates to correspond with updated estimates provided by the MSRB. The Commission now estimates that the MSRB incurs an annual burden of approximately 19,500 hours to collect, index, store, retrieve, and make available the pertinent continuing disclosure documents under the Rule.[64] The Commission also now estimates that the MSRB would require a one-time burden of 1,700 hours to implement the necessary modifications to EMMA to reflect the additional mandatory disclosures under Rule 15c2-12.[65] Accordingly, the Commission estimates that the total burden on the MSRB to collect, store, retrieve, and make available the disclosure documents covered the Rule would be 21,200 hours[66] for the first year and 19,500 hours for each subsequent year.

***Burden for Broker-Dealers in the Secondary Market***

Under the Rule prior to these amendments and in the Proposing Release, the Commission made no estimate of the burden on broker-dealers effecting transactions in the secondary market to comply with Rule 15c2-12. Two commenters characterized this as an omission.[67] Those commenters cited to obligations, under Rule 15c2-12(c) and MSRB Rule G-47, which those commenters stated required broker-dealers in the secondary market to disclose material information to investors, expressing concern that the proposed amendments would greatly increase the burden on such broker-dealers.[68] One commenter estimated that the total annual burden on broker-dealers effecting transactions in the secondary market would be 14,224,229 hours.[69]

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

64 According to the MSRB, its estimated annual burden has changed from 12,699 hours to 19,500 hours due to a change in the method of calculation used by the MSRB to estimate annual burden.

65 According to the MSRB, its estimated one-time burden has changed from 1,162 hours to 1,700 hours after further assessment of the work needed to prepare EMMA for two new event notices.

66 First-year burden for MSRB: 19,500 hours (estimated annual burden) + 1,700 hours (estimate for one-time burden to implement the amendments) = 21,200 hours.

67 See NABL OMB Letter and SIFMA Letter.

68 See NABL OMB Letter and SIFMA Letter.

69 See NABL OMB Letter. The commenter derived this estimate by multiplying 9,358,046 (the number of municipal securities trades reported by the MSRB in 2016) by 76% (the purported percentage of such transactions that would require review) and then by 2 (for how many hours such a review would take). The 76% figure was the mean response in the commenter's survey to the question "what percentage [of issuers] have outstanding 'financial obligations' that you believe the SEC might determine to be material . . . ?"

The Commission continues to believe that neither the adopted amendments nor Rule 15c2-12 prior to amendment contains "collection of information requirements" within the meaning of the PRA on broker-dealers effecting transactions in the secondary market. Rule 15c2-12(c) requires only that a broker-dealer acting in the secondary market have "procedures in place that provide reasonable assurance that it will receive prompt notice of any event disclosed pursuant to paragraph (b)(5)(i)(C), paragraph (b)(5)(i)(D), and paragraph (d)(2)(ii)(B)" of the Rule. To the extent that broker-dealers effecting transactions in the secondary market review and disclose material to customers, those associated burdens stem from antifraud provisions in the securities laws and MSRB rules that are not subject to this PRA analysis.

***Costs for Broker-Dealers and the MSRB***

In the Proposing Release, the Commission stated that it did not expect broker-dealers to incur any additional external costs associated with the proposed amendments to the Rule because the proposed amendments do not change the obligation of broker-dealers under the Rule 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 to determine whether the issuer or obligated person has failed to comply with such undertakings in all material respects.[70] To the extent that broker-dealers would incur a one-time burden of preparing and issuing a notice advising the broker-dealer's employees about the amendments, the Commission believed that the work would be consistent with the type of compliance work that a broker-dealer typically handles internally, and that the broker-dealer would not incur any additional external costs.[71] The Commission received no comments on this estimate and continues to believe that this estimate is appropriate.

Also in the Proposing Release, the Commission stated that it did not expect the MSRB to incur any additional external costs associated with the proposed amendments to the Rule. The Commission believed that the MSRB would not incur additional external costs specifically associated with modifying the indexing system to accommodate the amendments to the Rule because the MSRB would implement those changes internally. The Commission received no comments on this estimate. After consultation of the Commission staff with MSRB staff, the Commission continues to believe that this estimate is appropriate. Additionally, in the Proposing Release, the Commission estimated that the MSRB expends $10,000 annually in hardware and software costs for the MSRB's EMMA system.[72] After consultation of the Commission staff

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The estimate that it would take two hours for a broker-dealer to complete its due diligence was apparently derived from a survey response indicating that an issuer's redacted financial obligations to be reviewed would average 39 pages in length.

70 See Proposing Release, supra note 2, 82 FR at 13946.

71 Id.

72 Id.

with MSRB staff, the Commission now estimates that the MSRB expends $520,000 annually in hardware and software costs for the MSRB's EMMA system.[73]

Under the amendments to Rule 15c2-12 as adopted, the total external costs to broker-dealers would be zero and the total external costs to the MSRB would be $520,000 annually.

***Costs to Issuers***

In the Proposing Release, the Commission stated that it believes issuers generally would not incur external costs associated with the preparation of event notices filed under the amendments, because issuers would generally prepare the information contained in the continuing disclosures internally.

However, the Commission recognized that issuers would be subject to some costs associated with the amendments to the Rule if they paid third parties to assist them with their continuing disclosure responsibilities. Under the Rule prior to these amendments, the Commission estimated that up to 65% of issuers may use designated agents to submit some or all of their continuing disclosure documents to the MSRB for a fee estimated to range from $0 to $1,500 per year, with an average total annual cost incurred by issuers using the services of a designated agent of $9,750,000.[74] In the Proposing Release, the Commission modified this estimate to account for the estimated increase in filings as a result of the proposed amendments. The Commission estimated that the proposed amendments would result in 2,200 more event notices filed annually, increasing costs for issuers using a designated agent for submission of event notices to the MSRB of approximately six percent, to $10,335,000.[75]

The Commission received no comments on this estimate. As discussed above, the Commission continues to believe that the amendments will result in an increase of 2,200 event notices filed and that the amendments will increase costs for the issuers using a designated agent by approximately six percent.[76] The Commission also continues to believe that up to 65% of issuers may use designated agents; however, the Commission is revising its calculations to correspond with its revised estimate of the number of issuers affected by continuing disclosure

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73 According to the MSRB, its estimated annual cost has changed to $520,000 after a change in the method of calculation used by the MSRB to estimate annual cost. This estimate corresponds to the estimated annual cost in hardware and software costs to operate the continuing disclosure service for the MSRB's EMMA system.

74 See Proposing Release, supra note 2, 83 FR at 13946. The Commission estimated the following: 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. See also 2015 PRA Notice, supra note 53.

75 Id.

76 The Commission's estimate of a six percent increase is the combination of two separate but related estimates: that issuers' total annual filings would increase by 1.5 percent due to the amendments and an estimate that issuers would incur a cost of 4.5 percent as reimbursement by issuers to designated agents for the agents' cost of making necessary changes to their systems. See Proposing Release, supra note 2, 82 FR at 13946 and note 150. The Commission received no comments on this six percent estimate.

agreements consistent with the Rule, which has changed from 20,000 in the Proposing Release to 28,000, as discussed above. As a result, the Commission is making two adjustments. First, the Commission is revising its estimate of the cost to issuers who may use designated agents under the Rule prior to these amendments to reflect the increase in the number of issuers who may use designated agents.[77] Second, the Commission is increasing the estimated cost to issuers who may use designated agents under the Rule by six percent, to account for the estimated increased costs as a result of the amendments to issuers who use designated agents. Accordingly, the Commission now estimates an average total annual cost incurred by issuers using the services of a designated agent for the Rule prior to the amendments of $13,650,000[78] and further estimates that those costs would be increased by approximately six percent as a result of the amendments, to $14,469,000.[79]

In the Proposing Release, the Commission also estimated that issuers would incur some cost to revise their current template for continuing disclosure agreements to reflect the proposed amendments to the Rule. The Commission stated its belief that continuing disclosure agreements tend to be standard form agreements. As it did in response to prior amendments to the Rule in 2010,[80] the Commission estimated that it would take an outside attorney approximately 15 minutes to revise the template for continuing disclosure agreements for the proposed amendments to the Rule.[81] The Commission estimated that each issuer, if it employed an outside attorney to update its template for continuing disclosure agreements, would incur a cost of approximately $100, for a one-time total cost of $2,000,000 for all issuers.[82] The Commission received one comment on this estimate. The commenter agreed that updating the template was "a relatively simple process," but stated that the Commission failed to account for the time spent reviewing the revised continuing disclosure agreement.[83] Because continuing disclosure agreements tend to be standard form agreements and because the updates required to continuing disclosure agreements by these amendments amount to simply adding the text of two additional

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77 Previously, the Commission estimated that 65% of 20,000 issuers (13,000 issuers) would use designated agents for the submission of event notices to the MSRB. See 2015 PRA Notice, supra note 53. The Commission now estimates that 65% of 28,000 issuers (18,200 issuers) may use designated agents.

78 28,000 issuers (revised estimate of issuers affected by continuing disclosure agreements consistent with the Rule) x .65 (percentage of issuers that may use designated agents) x $750 (estimated average annual cost for issuer's use of designated agent for the Rule prior to the amendments) = $13,650,000.

79 28,000 (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 amendments to the Rule) = $14,469,000. The increase in annual cost as a result of the amendments is $819,000 ($14,469,000 - $13,650,000 = $819,000).

80 See Exchange Act Release No. 34-62184A (May 27, 2010), 75 FR 33100 (June 10, 2010).

81 See Proposing Release, supra note 2, 82 FR at 13946.

82 Id. 20,000 issuers x $100 = $2,000,000.

83 See Kutak Rock Letter.

events,[84] the Commission continues to believe that the estimate of 15 minutes per issuer is appropriate and accounts for the average total cost incurred by each issuer to update and review its template for continuing disclosure agreements. However, as a result of the Commission's revised estimate of issuers affected by continuing disclosure requirements under Rule 15c2-12, the Commission now estimates a one-time total cost of $2,800,000 for all issuers.[85]

The Commission did not estimate any other external costs incurred by issuers as a result of the proposed amendments. Several commenters disagreed, stating that due to the proposed broad definition of financial obligation and commenters' view that there was lack of clarity around materiality, issuers would rely, in some part, on outside counsel to assist in the monitoring, evaluating, preparing, and filing of the event notices required by the proposed amendments.[86] One commenter, citing those same reasons, reported that 97% of survey respondents indicated that outside counsel would be required when preparing an event notice under the proposed amendments.[87] Another commenter reported that it would need to "enter into new engagements with subject matter experts" to determine whether certain financial obligations needed to be disclosed under the proposed amendments.[88]

The Commission has considered these comments and is revising its cost estimates for issuers. As discussed above, the Commission has clarified and narrowed the scope of the amendments which will substantially lessen the burden on issuers of monitoring, evaluating, preparing, and filing event notices required by the amendments to the Rule. The Commission expects that any external costs that would have been incurred by issuers under the proposed amendments would be similarly reduced by those changes. The Commission also believes that the adopted amendments, by focusing on debt, debt-like, and debt-related obligations, will reduce the need for issuers to obtain outside counsel to assist with an event notice.[89]

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84 See NABL 2, supra note 21.

85 28,000 issuers (revised estimate of issuers affected by continuing disclosure requirements under the Rule) 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) = $2,800,000 (total one-time cost for all issuers). See also Proposing Release, supra note 2, 82 FR at 13946 and note 153. 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 of outside counsel would be an average of $400 per hour.

86 See NAMA Letter; ABA Letter; Arlington SD Letter; GFOA Letter.

87 See GFOA Letter. According to the commenter, it surveyed 174 GFOA members primarily responsible for debt disclosure in their respective jurisdictions.

88 See Arlington SD Letter.

89 See, e.g., NAMA Letter (stating the "too broad" definition of financial obligation would force issuers to consult counsel for "many types of financings and financial obligations that do not affect a government['s] . . . ability to pay debt); see also BDA Letter (stating if the definition of financial obligation were focused on competing debt, the responsibility to assess whether an event notice was needed would be handled by an issuer's debt finance department.).

However, the Commission acknowledges that some issuers may retain outside counsel to assist in the evaluation and preparation of some of the more complex event notices as a result of the amendments to the Rule. As discussed above, the Commission estimates that the amendments will generate 2,200 additional event notices a year. The Commission believes a reasonable estimate is that issuers may retain outside counsel on half of those event notices, 1,100, while preparing the other half solely internally.[90] The Commission further believes that, for those 1,100 complex event notices in which issuers and obligated persons seek assistance from outside counsel, one-half of the burden of preparation of the event notices (including time for monitoring and evaluation) will be carried by issuers internally (four hours), and the other-half of the burden will be carried by outside professionals retained by the issuer (four hours).[91] Thus, the Commission now estimates that issuers will incur an approximate annual total cost of $1,760,000[92] to employ outside counsel to assist in the examination, preparation, and filing of certain event notices.

Under the amendments to Rule 15c2-12 as adopted, the total cost to issuers would be $16,229,000 annually,[93] with a one-time cost of $2,800,000.[94]

**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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90 While some commenters stated that the assistance of outside counsel would be required on nearly all event notices under the proposed amendments, the Commission believes that the narrowed scope of the adopted amendments, as well as the examples provided in Section III.A.1. intended to assist issuers in determining materiality under the Rule, will reduce the need for issuers to consult with outside counsel.

91 See NABL OMB Letter (survey of outside bond counsel: "If asked to prepare a summary of a financial obligation, on average how many hours would be required to comply?" Median answer – 4 hours).

92 1,100 (number of event notices requiring outside counsel) x 4 (estimated time for outside attorney to assist in the preparation of such event notice) x $400 (hourly wage for an outside attorney) = $1,760,000. 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 of outside counsel would be an average of $400 per hour.

93 $1,760,000 (annual cost to employ outside counsel to assist in preparation of certain event notices) + $14,469,000 (annual cost to employ designated agents to submit event notices) = $16,229,000.

94 See supra note 85.