

SUPPORTING STATEMENT

For the Paperwork Reduction Act Information Collection Submission for Rule 204-5 under the Investment Advisers Act of 1940

A. JUSTIFICATION

1. Necessity for the Information Collection

On June 5, 2019, the Securities and Exchange Commission (the “Commission” or “SEC”) adopted amendments to Form ADV¹, and related rules, including, new rule 204-5 under the Investment Advisers Act of 1940.² The new rule will require registered investment advisers to provide a brief relationship summary to retail investors to inform them about certain aspects of the relationships and services the firm offers (the “relationship summary”). New rule 204-5 will require an investment adviser to deliver an electronic or paper version of the relationship summary to each retail investor before or at the time the adviser enters into an investment advisory contract with the retail investor. The adviser also will make a onetime initial delivery of the relationship summary to all existing clients within a specified time period after the effective date of the rule. Also with respect to existing clients, the adviser will deliver the most recent relationship summary before or at the time of (i) opening any new account that is different from the retail investor’s existing account(s); (ii) recommending that the retail investor roll over assets from a retirement account into a new or existing account or investment; or (iii)

¹ 17 CFR 279.1.

² Form CRS Relationship Summary; Amendments to Form ADV, Release Nos. IA-5247; 34-86032 (June 5, 2019) [84 FR 33492 (Jul. 12, 2019)]. The amendments to Form ADV were proposed in Form CRS Relationship Summary; Amendments to Form ADV; Required Disclosures in Retail Communications and Restrictions on use of Certain Names or Titles, Investment Advisers Act Release No. 4888. Exchange Act Release No. 83063 (Apr. 18, 2018) [83 FR 23848 (May 23, 2018)].

recommending or providing a new brokerage or investment advisory service or investment that does not necessarily involve the opening of a new account and would not be held in the existing account. The adviser will be required to post a current version of its relationship summary prominently on its public website (if it has one), and will be required to communicate any changes in an amended relationship summary to retail investors who are existing clients within 60 days, after the amendments are required to be made and without charge. The investment adviser also must deliver a current relationship summary to each retail investor within 30 days upon request and make a copy of the relationship summary available upon request without charge. Where a relationship summary is delivered in paper format, the adviser may link to additional information by including URL addresses, QR codes, or other means of facilitating access to such information. The adviser must also include a telephone number where retail investors can request up-to-date information and a copy of the relationship summary.

New rule 204-5 contains a “collection of information” within the meaning of the Paperwork Reduction Act of 1995 (“Paperwork Reduction Act”).³ The collection of information is necessary to provide advisory clients, prospective clients and the Commission with information about the investment adviser and its business, conflicts of interest, and personnel. The title for the collection of information is: “Rule 204-5 under the Investment Advisers Act of 1940” and the Commission submitted this collection to the Office of Management and Budget (“OMB”) for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. OMB approved this collection under control number 3235-0767. An agency may not conduct or sponsor, and a person is not required to respond to,

³ 44 U.S.C. 3501 *et seq.*

a collection of information unless it displays a currently valid OMB control number.

This collection of information will be found at 17 CFR 275.204-5 and will be mandatory.

Responses will not be kept confidential.

2. Purpose and Use of the Information Collection

The purpose of Form CRS is to assist retail investors in making an informed choice when choosing an investment firm and professional, and type of account. Retail investors can use the information required in Form CRS to determine whether to hire or retain an investment adviser, as well as what types of accounts and services are appropriate for their needs. The Commission also will use the information to manage its regulatory and examination programs.

3. Consideration Given to Information Technology

A firm will be permitted to deliver the relationship summary (including updates) electronically, consistent with the Commission's guidance regarding electronic delivery.⁴ New rule 204-5 will also require that a firm that maintains a public website to post their relationship summaries on their websites in a way that is easy for retail investors to find. Where a relationship summary is delivered in paper format, the adviser may link to additional information by including URL addresses, QR codes, or other means of facilitating access to such information. Firms also must include in their relationship summaries a telephone number for investors to call to obtain documents.

⁴ See Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information; Additional Examples Under the Securities Act of 1933, Securities Exchange Act of 1934, and Investment Company Act of 1940, Exchange Act Release No. 37182 (May 9, 1996) [61 FR 24644 (May 15, 1996)]. See also Use of Electronic Media, Exchange Act Release No. 42728 (Apr. 28, 2000) [65 FR 25843 (May 4, 2000)]; and Use of Electronic Media for Delivery Purposes, Exchange Act Release No. 36345 (Oct. 6, 1995) [60 FR 53458 (Oct. 13, 1995)].

4. Duplication

The collection of information requirements of the form, including the amendments to the form, are not duplicated elsewhere.⁵ While Form ADV Part 3 requires firms to summarize topics also required to be discussed in Form ADV Part 1 or Part 2, the Part 3 has a distinct purpose to help retail investors select or determine whether to remain with a firm or financial professional by providing better transparency and summarizing in one place selected information about a particular investment adviser. The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a change in a rule.

5. Effect on Small Entities

The information collection requirements of rule 204-5 do not distinguish between investment advisers that are small entities and other investment advisers. Because the protections of the Advisers Act are intended to apply equally to retail investor clients and customers of both large and small firms, it will be inconsistent with the purposes of the Advisers Act to specify differences for small entities under the proposed rules and rule amendments. We believe that rule 204-5 and the relationship summary will result in multiple benefits to all retail investors, including alerting retail investors to certain information to consider when choosing a firm and a financial professional and prompting retail investors to ask informed questions. In addition, the content of the relationship summary will facilitate comparisons across firms. The Commission believes that these

⁵ Firms will be required to include cross-references to where investors could find additional information, such as in the Form ADV Part 2 brochure and brochure supplement for investment advisers or on the firm's website or in the account opening agreement for broker-dealers. For electronic versions of the relationship summary, we would require firms to use hyperlinks to the cross-referenced document if it is available online.

benefits should apply to retail investors of smaller firms as well as retail investors of larger firms. To establish different disclosure requirements for small entities will diminish this investor protection for clients of small advisers. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

6. Consequences of Not Conducting Collection

The collection of information required by the form is necessary to protect investors and deter potentially misleading sales practices by providing retail investors and potential retail investors, as well as the Commission, with information about the investment adviser, the services it offers to retail investors, applicable standard of conduct, fees, conflict of interests, and disciplinary events. Providing this information before or at the time the adviser enters into an investment advisory agreement with a retail investor, as well as at certain points during the relationship (*e.g.*, switching or adding account types) will help retail investors to make a more informed choice among the types of firms and services available to them. The consequences of not collecting this information include continued retail investor confusion about the services and fees advisers offer and the differences among broker-dealers, investment advisers, and firms registered with the Commission as both broker-dealers and investment advisers. In addition, if the information is either not collected or is collected less frequently, the Commission's ability to protect investors would be reduced.

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

Not applicable.

8. Consultation With Persons Outside the Agency

In its release proposing, among other things, new rule 204-5, the Commission requested public comment on the effect of information collections under the proposed new rules and rule amendments. The Commission received several comments that our estimated burdens for delivery of the relationship summary were too low, including the administrative and operational burdens related to monitoring for changes that would “materially change” the nature and scope of the relationship and thereby require delivery to existing clients and customers. Other comments focused on the recordkeeping burdens related to the requirement to deliver the relationship summary to a new or prospective retail investor. We have considered these comments and made changes to the proposal to require more specific triggers for initial delivery and additional delivery to existing customers. We also adjusted some of the burden estimates. The Commission and the staff of the Division of Investment Management also continue to participate in an ongoing dialogue with representatives of the investment adviser industry through public conferences, meetings and informal exchanges. These various forums provide the Commission and the staff with a means of ascertaining and acting upon paperwork burdens facing the industry.

9. Payment or Gift

No payment or gift to respondents was provided.

10. Assurance of Confidentiality

Not Applicable.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection does not collect personally identifiable information (PII). The agency has determined that a system of records notice (SORN) and privacy impact assessment (PIA) are not required in connection with the collection of information.

12. Estimate of Hour Burden

We estimate the total collection of information burden for new rule 204-5 to be 983,945 annual aggregate hours per year,⁶ or 120 hours per respondent,⁷ for a total annual aggregate monetized cost of \$61,003,406,⁸ or \$7,408⁹ per adviser.

The likely respondents to this information collection will be the approximately 8,235 investment advisers registered with the Commission that will be required to deliver

⁶ 4,072 annual hours for posting initial relationship summaries to adviser websites + 236,204 annual hours for initial delivery to existing clients + 142,256 hours for additional delivery to existing clients based on material changes to accounts or scope of relationship + 6,487 annual hours to post amended relationship summary to website + 561,162 hours for delivery to existing clients to communicate updated information in amended relationship summaries + 29,646 hours for delivery to new or prospective clients + 4,118 hours to make paper copies of the relationship summary available upon demand = 983,945 annual total hours for investment advisers to post and deliver the relationship summary under proposed rule 204-5.

⁷ 983,945 hours (initial and other deliveries) / 8,235 advisers = 120 hours per adviser.

⁸ \$252,469 for posting initial relationship summaries to adviser websites + \$14,643,477 for initial delivery to existing clients + \$8,819,872 for delivery to existing clients based on material changes to accounts or scope of relationship + \$402,207 to post amended relationship summary to website + \$34,792,044 for delivery to existing clients to communicate updated information in amended relationship summaries + \$1,838,052 for delivery to new or prospective clients + \$255,285 for making paper copies of the relationship summary available upon demand = \$61,003,406 in total annual aggregate monetized cost for investment advisers to post and deliver the relationship summary under proposed rule 204-5.

⁹ \$61,003,406 / 8,235 advisers = \$7,408 per adviser.

a relationship summary to retail investors pursuant to new rule 204-5.¹⁰ We also note that these figures include the 318 registered broker-dealers that are dually registered as investment advisers.

A. Posting of the Relationship Summary to Website

Under new rule 204-5, advisers will be required to post a current version of their relationship summary prominently on their public website (if they have one). We now estimate that each adviser will incur 1.5 hours to prepare the relationship summary, such as to ensure proper electronic formatting, and to post the disclosure to the adviser's website, if the adviser has one, instead of 0.5 hours as proposed based on the staff's experience.¹¹ Based on IARD system data, 91.6% of investment advisers with individual clients report at least one public website. Therefore, we estimate that 91.6% of the 8,235 existing and 656 newly-registered investment advisers with relationship summary obligations will incur a total of 12,216 aggregate burden hours to post relationship summaries to their websites,¹² with a monetized cost of \$757,407.¹³ We amortize the estimated initial burden associated with posting the relationship summary over a three-

¹⁰ This figure includes the 318 registered broker-dealers that are dually registered as investment advisers as of December 31, 2018.

¹¹ This estimate is based upon staff experience. *See e.g.*, Optional Internet Availability of Investment Company Shareholder Reports, Investment Company Act Release No. 33115 (June 5, 2018) [83 FR 29158 (Jun. 22, 2018)] (estimating that funds that already post shareholder reports on their websites will require a half hour burden per fund to comply with the annual compliance and posting requirements of rule 30e-3, and funds that do not already post shareholder reports to their websites will require one and half hours to post the required documents online). Posting of the relationship summary under rule 204-5 pertains to one document, which is similar to the shareholder report posting to which rule 30e-3 applies.

¹² 1.5 hours to prepare and post the relationship summary x 91.6% x (8,235 existing advisers + 656 newly-registered advisers with relationship summary obligations) = 12,216 hours.

¹³ Based on data from the SIFMA Office Salaries Report, we expect that requirement for investment advisers to post their relationship summaries to their websites will most likely be performed by a general clerk at an estimated cost of \$62 per hour. 1.5 hours per adviser x \$62 = \$93 in monetized costs per adviser. \$93 per adviser x 91.6% x (8,235 existing advisers + 656 newly registered advisers) = \$757,407 total aggregate monetized cost.

year period.¹⁴ Therefore, the total annual aggregate hourly burden related to the initial posting of the relationship summary is estimated to be 4,072 hours, with a monetized cost of \$252,469.¹⁵

B. Delivery to Existing Clients

i. One-Time Initial Delivery to Existing Clients

The burden for this rule is based on each adviser with retail investors having, on average, an estimated 3,985 clients who are retail investors.¹⁶ Although advisers may either deliver the relationship summary separately, in a “bulk delivery” to clients, or as part of the delivery of information that advisers already provide, such as the annual Form ADV update, account statements or other periodic reports, we base our estimates here on a “bulk delivery” to existing clients. This is similar to the approach we took in estimating the delivery costs for amendments to rule 204-3 under the Advisers Act, which requires investment advisers to deliver their Form ADV Part 2A brochures and brochure supplements to their clients.¹⁷ As with the estimates for rule 204-3, we estimate that advisers will require approximately 0.02 hours to deliver the relationship summary to each client.¹⁸ We estimate the total burden hours for 8,235 advisers for initial delivery of

¹⁴ See the separate collection of information associated with the amendment to Form ADV to add a new Part 3: Form CRS under the Advisers Act. See also Form ADV and Investment Advisers Act Rules, Final Rule, Investment Advisers Act Release No. 4509 (Aug. 25, 2016) [81 FR 60418 (Sep. 1, 2016)] (“2016 Form ADV Paperwork Reduction Analysis”).

¹⁵ $12,216 \text{ hours} / 3 \text{ years} = 4,072 \text{ hours annually}$. $\$757,407 / 3 \text{ years} = \$252,469$ in annualized monetized costs.

¹⁶ Based on IARD system data as of December 31, 2018.

¹⁷ See Amendments to Form ADV, Investment Advisers Act Release No. 3060 (Jul. 28, 2010) [75 FR 49233 (Aug. 12, 2010)], at 22–27 (“Brochure Adopting Release”).

¹⁸ This is the same estimate we made in the Form ADV Part 2 proposal and for which we received no comment. See Brochure Adopting Release, at 75 FR at 49259. The burden for preparing relationship summaries is already incorporated into the burden estimate for Form ADV discussed above.

the relationship summary to existing clients to be 79.7 hours per adviser, or 708,613 total aggregate hours, for the first year after the rule is in effect,¹⁹ with a monetized cost of \$4,941²⁰ per adviser or \$43,930,431 in aggregate.²¹ Amortized over three years, the total annual hourly burden is estimated to be 26.57 hours per adviser, or 236,204 annual hours in aggregate,²² with annual monetized costs of \$1,647 per adviser, or \$14,643,477 in aggregate.²³

ii. Additional Delivery to Existing Clients

Investment advisers will be required to deliver the relationship summary to existing clients before or at the time they open a new account that is different from the retail investor's existing account(s). In addition, delivery will be required before or at the time the adviser (i) recommends that the retail investor roll over assets from a retirement account into a new or existing account or investment, or (ii) recommends or provides a new brokerage or investment advisory service or investment that does not necessarily

¹⁹ $(0.02 \text{ hours per client} \times 3,985 \text{ retail clients per adviser}) = 79.7 \text{ hours per adviser}$. $79.7 \text{ hours per adviser} \times (8,235 \text{ existing advisers} + 656 \text{ newly registered advisers}) = 708,613 \text{ total aggregate hours}$.

²⁰ Based on data from the SIFMA Office Salaries Report, we expect that initial delivery requirement to existing clients of rule 204-5 will most likely be performed by a general clerk at an estimated cost of \$62 per hour. $79.7 \text{ hours per adviser} \times \$62 = \$4,941$ in monetized costs per adviser. We estimate that advisers will not incur any incremental postage costs because we estimate that they will make such deliveries with another mailing the adviser was already delivering to clients, such as interim or annual updates to the Form ADV, or will deliver the relationship summary electronically.

²¹ $\$4,941 \text{ in monetized costs per adviser} \times (8,235 \text{ existing advisers} + 656 \text{ newly registered advisers}) = \$43,930,431$ in total aggregate costs.

²² $79.7 \text{ initial hours per adviser} / 3 = 26.57 \text{ total annual hours per adviser}$. $708,613 \text{ initial aggregate hours} / 3 = 236,204 \text{ total annual aggregate hours}$.

²³ $\$4,941 \text{ in monetized costs per adviser} / 3 = \$1,647$ annualized monetized cost per adviser. $\$43,930,431 \text{ initial aggregate monetized cost} / 3 = \$14,643,477$ in total annual aggregate monetized cost.

involve the opening of a new account and would not be held in the existing account. We replaced the “materially change” requirement in the proposal with more specific triggers to be clearer about when a relationship summary must be delivered.

While these specific triggers will still impose operational and supervisory burdens on firms, we believe that they are more easily identified and monitored, such that firms will not incur significant burdens as described by commenters to implement entirely new supervisory, administrative, and operational processes needed to monitor events that cause a material change. However, recognizing that some additional processes will be necessary to implement these delivery triggers, we are increasing our burden estimate from 0.02 to 0.04 hours. We expect that such delivery will take place among 10% of an adviser’s retail investors annually and we estimate each adviser will incur 16 hours per year to deliver the relationship summary in these situations. We therefore estimate a total annual aggregate hours of 142,256,²⁴ with a monetized cost of \$992 per adviser²⁵ and \$8,818,872 in aggregate.²⁶

iii. Posting of Amended Relationship Summaries to Websites and Communicating Changes to Amended Relationship Summaries, Including by Delivery

²⁴ 16 hours x (8,235 existing advisers + 656 new advisers) = 142,256 total aggregate hours.

²⁵ Based on data from the SIFMA Office Salaries Report, we expect that delivery requirements of rule 204-5 will most likely be performed by a general clerk at an estimated cost of \$62 per hour. 16 hours per adviser x \$62 = \$992 per adviser. We estimate that advisers will not incur any incremental postage costs in the delivery of the relationship summary to existing clients for changes in accounts, because we estimate that advisers will make such deliveries with another mailing the adviser was already delivering to clients, such as new account agreements and other documentation normally required in such circumstances.

²⁶ \$992 in monetized costs per adviser x (8,235 existing advisers + 656 newly registered advisers) = \$8,819,872 in total aggregate costs.

Investment advisers will be required to amend their relationship summaries within 30 days when any of the information becomes materially inaccurate. Investment advisers also will be required to communicate any changes in an amended relationship summary to existing clients who are retail investors within 60 days after the updates are required to be made and without charge. Based on the historical frequency of amendments made on Form ADV Parts 1 and 2, we estimate that on average, each adviser preparing a relationship summary will likely amend the disclosure an average of 1.71 times per year.²⁷ We estimate that preparation of the relationship summary for posting to the web and the posting itself will require 0.5 hours. Using the same percentage of investment advisers reporting public websites, 91.6% of 8,235 advisers would incur a total annual burden of 0.86 hours per adviser, or 6,487 hours in aggregate,²⁸ to post the amended relationship summaries to their website. This translates into an annual monetized cost of \$53.32 per adviser, or \$402,207 in the aggregate for existing registered advisers with relationship summary obligations.²⁹

Investment advisers also will be required to communicate any changes in an amended relationship summary to existing clients who are retail investors. The communication can be made by delivering the relationship summary or by communicating the information in another way. For this requirement, we estimate that

²⁷ This estimate is based on IARD system data regarding the number of filings of Form ADV amendments.

²⁸ 0.5 hours to post the amendment x 1.71 amendments annually = 0.86 hours per adviser annually to post amendments to the website. 0.86 x 8,235 existing advisers amending the relationship summary x 91.6% of advisers with public websites = 6,487 aggregate annual hours to post amendments of the relationship summary.

²⁹ Based on data from the SIFMA Office Salaries Report, we expect that the posting requirements of rule 204-5 will most likely be performed by a general clerk at an estimated cost of \$62 per hour. 0.86 hours per adviser x \$62 = \$53.32 per adviser. \$53.32 per adviser x 91.6% x 8,235 existing advisers = \$402,207 in annual monetized costs.

50% of advisers will choose to deliver the relationship summary to communicate the updated information, and that the delivery will be made along with other disclosures already required to be delivered. We believe that it is likely that the other 50% of advisers will incorporate all of the updated information in their Form ADV Part 2, like the summary of material changes or other disclosures, which they are already obligated to deliver in order to avoid having to deliver two documents. We estimate a burden of 561,162 hours,³⁰ or 136.29 hours per adviser,³¹ at a monetized cost of \$34,792,044 in aggregate,³² or \$8,450 per adviser,³³ for the 50% of advisers that choose to deliver amended relationship summaries in order to communicate updated information.³⁴ The Commission is also requiring that all firms make available a copy of the relationship summary upon request without charge. Where a relationship summary is delivered in

³⁰ 8,235 advisers amending the relationship summary x 3,985 retail clients per adviser x 50% delivering the amended relationship summary to communicate updated information x 0.02 hours per delivery x 1.71 amendments annually = 561,162 hours to deliver amended relationship summaries.

³¹ 3,985 retail clients per adviser x 0.02 hours per delivery x 1.71 amendments annually = 136.29 hours per adviser.

³² Based on data from the SIFMA Office Salaries Report, we expect that delivery requirements of rule 204-5 will most likely be performed by a general clerk at an estimated cost of \$62 per hour. 561,162 hours x \$62 = \$34,792,044. We estimate that advisers will not incur any incremental postage costs to deliver the relationship summary for communicating updated information by delivering the relationship summary, because we estimate that advisers will make the delivery along with other documents already required to be delivered, such as an interim or annual update to Form ADV, or will deliver the relationship summary electronically.

³³ Based on data from the SIFMA Office Salaries Report, modified to account for an 1,800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead, we expect that delivery requirements of rule 204-5 will most likely be performed by a general clerk at an estimated cost of \$62 per hour. 136.29 hours per adviser x \$62 per hour = \$8,450 per adviser.

³⁴ For the other 50% of advisers that may choose to communicate updated information in another disclosure, we estimate no added burden because these advisers will be communicating the information in other disclosures they are already delivering like the Form ADV Part 2 brochure or summary of material changes.

paper format, the adviser may link to additional information by including URL addresses, QR codes, or other means of facilitating access to such information. Firms also must include in their relationship summaries a telephone number for investors to call to obtain documents.

We estimate that the 8,235 advisers with relationship summary obligations, on average, will require 0.5 hours each annually to comply with this requirement. Therefore, we estimate that the 8,235 advisers will incur a total of 4,118 aggregate burden hours to make copies of the relationship summary available upon request,³⁵ with a monetized cost per adviser of \$31, or \$255,285 in aggregate monetized cost.³⁶ We acknowledge that the burden may be more or less than 0.5 hours for some advisers, but we believe that, on average, 0.5 hours is an appropriate estimate for calculating an aggregate burden for the industry for this collection of information.

C. Delivery to New Clients or Prospective New Clients

Data from the IARD system indicate that of the 13,299 advisers registered with the Commission, 8,235 have retail investors, and on average, each has 3,985 clients who are retail investors.³⁷ We estimate that the client base for investment advisers will grow

³⁵ 0.5 hours to make paper copies of the relationship summary available upon request x 8,235 advisers with relationship summary obligations = 4,118 hours.

³⁶ Based on data from the SIFMA Office Salaries Report, we expect that the requirement for advisers to make paper copies of the relationship summary available upon request will most likely be performed by a general clerk at an estimated cost of \$62 per hour. 0.5 hours per adviser x \$62 = \$31 in monetized costs per adviser. \$31 per adviser x 8,235 advisers with relationship summary obligations = \$255,285 total aggregate monetized cost.

³⁷ This average is based on advisers' responses to Item 5 of Part 1A of Form ADV as of December 31, 2018.

by approximately 4.5% annually.³⁸ Based on our experience with Form ADV Part 2, we estimate the annual hour burden for initial delivery of a relationship summary will be the same by paper or electronic format, at 0.02 hours for each relationship summary,³⁹ or 3.6 annual hours per adviser.⁴⁰ Therefore, we estimate that the aggregate annual hour burden for initial delivery of the relationship summary to new clients will be 29,646 hours,⁴¹ at a monetized cost of \$1,838,052, or \$223 per adviser.⁴²

³⁸ In the Proposing Release, we determined this estimate based on IARD system data. *See* Proposing Release, *supra* footnote 2 at section V. The number of retail clients reported by RIAs changed by 6.7% between December 2015 and 2016, and by 2.3% between December 2016 and 2017. $(6.7\% + 2.3\%) / 2 = 4.5\%$ average annual rate of change over the past two years. We did not receive comments on this estimate.

³⁹ This is the same as the estimate for the burden to deliver the brochure required by Form ADV Part 2. *See* Brochure Adopting Release, *supra* note 17.

⁴⁰ $3,985$ clients per adviser with retail clients $\times 4.5\% = 179$ new clients per adviser. 179 new clients per adviser $\times 0.02$ hours per delivery = 3.6 hours per adviser for delivery of a relationship summary to new or prospective new clients.

⁴¹ 3.6 hours per adviser for delivery obligation to new or prospective clients $\times 8,235$ advisers = $29,646$ hours.

⁴² Based on data from the SIFMA Office Salaries Report, modified to account for an 1,800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead, we expect that delivery requirements of rule 204-5 will most likely be performed by a general clerk at an estimated cost of \$62 per hour. $29,646$ hours \times \$62 = \$1,838,052. We estimate that advisers will not incur any incremental postage costs to deliver the relationship summary to new or prospective clients because we estimate that advisers will make the delivery along with other documentation normally provided in such circumstances, such as Form ADV Part 2. $\$1,838,052 / 8,235$ investment advisers = \$223 per adviser.

Table 1: Summary of Revised Annual Responses, Burden Hours, and Burden Hour Costs Estimates for Each Information Collection

IC	Rule 204-5 under the Investment Advisers Act of 1940 Description of Parts of IC	Annual No. of Responses			Annual Time Burden (Hrs.)			Monetized Time Burden (\$)		
		<i>Previously approved</i>	<i>Requested Change Due to Agency Discretion</i>	<i>Total</i>	<i>Previously approved</i>	<i>Requested Change Due to Agency Discretion</i>	<i>Total</i>	<i>Previously approved</i>	<i>Requested Change Due to Agency Discretion</i>	<i>Total</i>
IC1	Third Party Disclosure (Posting of the Relationship Summary to Website)	0	8,235	8,235	0	4,072	4,072	0	252,469	252,469
IC1	Third Party Disclosure (One-time Initial Delivery to Existing Clients)	0	32,816,475	32,816,475	0	236,204	236,204	0	14,643,477	14,643,477
IC1	Third Party Disclosure (Additional Delivery to Existing Clients)	0	3,281,647	3,281,647	0	142,256	142,256	0	8,819,872	8,819,872
IC1	Third Party Disclosure (Posting of Amended Relationship Summaries to	0	12,899	12,899	0	6,487	6,487	0	402,207	402,207
IC1	Third Party Disclosure (Communicating Changes to Amended Relationship	0	28,058,086	28,058,086	0	561,162	561,162		34,792,044	34,792,044
IC1	Third Party Disclosures (Making Copies of the Relationship Summary Available Upon Demand	0	8,235	8,235	0	4,118	4,118		255,285	255,285
IC1	Third Party Disclosure (Delivery to New Clients or Prospective New Clients)	0	1,476,741	1,476,741	0	29,646	29,646	0	1,838,052	1,838,052
Total for IC		0	65,662,318	65,662,318	0	983,945	983,945	0	61,003,406	61,003,406

13. Cost to Respondents

There is no cost burden other than the cost of the hour burden described above. External costs for the preparation of the relationship summary are already included for the collection of information estimates for Form ADV, in a separate collection of information associated with the proposed amendment to Form ADV to add a new Part 3: Form CRS under the Advisers Act. We do not anticipate external costs to rule 204-5 for several reasons, as follows: (i) investment advisers without a public website would not be required to establish or maintain one; (ii) we do not expect that investment advisers will incur external costs for the initial delivery of the relationship summary to existing clients because we assume that advisers will make such deliveries along with another required delivery, such as an interim or annual update to the Form ADV Part 2; (iii) we do not expect advisers to incur external costs related to deliveries of the relationship summary due to new account type openings, or material changes to the nature or scope of the relationship, because we assume that advisers will deliver the relationship summary along with new account agreements and other information normally required in such circumstances; (iv) we do not expect investment advisers to incur external costs in delivering amended relationship summaries because we assume that they will make this delivery with other disclosures required to be delivered, such as an interim or annual update to Form ADV; and (v) we do not expect that advisers will incur external costs to deliver the relationship summary to new or prospective clients because we assume that advisers will make the delivery along with other documentation normally provided in

such circumstances, such as Form ADV Part 2, or will deliver the relationship summary electronically.

14. Costs to Federal Government

There are no costs to the government directly attributable to proposed rule 204-5.

15. Changes in Burden

This is the first request for approval of the collection of information for this rule.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not Applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

The Commission is not seeking an exception to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.