OMB CONTROL NUMBER: 3235-0242

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
RULE 206(4)-3

A. JUSTIFICATION

1. Necessity for the Information Collection

Currently rule 206(4)-3 (17 CFR 275.206(4)-3) prohibits investment advisers from paying cash fees to solicitors for client referrals unless certain conditions are met. These conditions include a written agreement, disclosures and receipt and retention of signed and dated acknowledgements, subject to certain exemptions.

On November 4, 2019, the Securities and Exchange Commission (the "Commission" or "SEC") proposed amendments to rules related to how advisers advertise to and solicit clients and investors[1]. The proposed amendments to the advertising rule, rule 206(4)-1[2] under the Investment Advisers Act of 1940 (the "Advisers Act")[3], would replace the current advertising rule's broadly drawn limitations with principles-based provisions, and the proposed amendments to the Advisers Act cash solicitation rule, rule 206(4)-3,[4] would expand the rule to cover solicitation arrangements involving all forms of compensation, rather than only cash compensation, eliminate requirements duplicative of other rules, and tailor the required disclosures solicitors would provide to investors.[5]

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[1] Investment Adviser Advertisements; Compensation for Solicitations, Release No. IA-5407 (November 4, 2019) [84 FR 67518 (Dec. 10, 2019]

[2] 17 CFR § 275.206(4)-1.

[3] 15 U.S.C 80b-4.

[4] 17 CFR § 275.206(4)-3.

[5] *See* Release No. IA-5407, *supra* note 1.

We proposed amendments to rule 206(4)-3 to expand the rule to cover solicitation arrangements involving all forms of compensation, rather than only cash compensation, and to apply to the solicitation of current and prospective investors in any private fund, rather than only to "clients" (including prospective clients) of the investment adviser.[6] The proposed rule would generally continue to require that an adviser compensate a solicitor pursuant to a written agreement that the adviser is required to retain, and would continue to require as part of the written agreement the preparation of a solicitor disclosure containing specified information about the solicitation arrangement. The proposed rule would add flexibility to the solicitor disclosure requirement by permitting the parties to designate in the written agreement either the adviser or the solicitor as the party required to deliver the disclosure to investors at the time of solicitation (or, for mass communications, as soon as reasonably practicable thereafter). The proposed rule would no longer require the written agreement to require that the solicitor provide the prospective client with a copy of the adviser's brochure, or that the adviser obtain and retain a signed and dated acknowledgment from the client that the client has received the brochure and the solicitor's disclosure. The proposed rule would retain the current rule's partial exemptions for: (i) solicitors of clients for impersonal investment advice; and (ii) certain solicitors that are affiliated with the adviser, but it would eliminate the written agreement requirement and the detailed solicitor disclosure for such solicitors. In order to avail itself of the proposed rule's partial exemption for affiliated solicitors: (i) the affiliation between the investment adviser and the solicitor must be readily apparent or be disclosed to the investor at the time of the

[6] We proposed to apply the rule to compensation by investment advisers to solicitors to obtain clients and prospective clients as well as investors and prospective investors in private funds that those advisers manage. For purposes of this release, we refer to any of these persons as "investors," unless we specify otherwise.

solicitation; and (ii) and the adviser must document the solicitor's status at the time the adviser enters into the solicitation arrangement. The proposed rule also would add new exemptions for *de minimis* compensation and certain nonprofit referral programs.

The information rule 206(4)-3 requires is necessary to inform investors about the nature of the solicitor's financial interest in the solicitation so investors may consider the solicitor's potential bias, and to protect investors against solicitation activities being carried out in a manner inconsistent with the adviser's fiduciary duty to clients. The likely respondents to this information collection would be each investment adviser registered with the Securities and Exchange Commission (the "Commission") that compensates a solicitor for referrals.

Rule 206(4)-3 contains "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995.[7] The title of this collection is "Rule 206(4)-3 under the Investment Advisers Act of 1940 (17 CFR 275.206(4)-3)" and the Commission submitted it 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 3235-0242 (expiring on February 28, 2022). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB number.

2. Purpose and Use of the Information Collection

[7] 44 U.S.C. 3501 to 3520.

Investors need accurate information about compensation arrangements between an investment adviser and a solicitor in order to determine whether to retain an adviser recommended by the solicitor.

3. Consideration Given to Information Technology

The Commission's use of computer technology in connection with this information collection, which has been previously approved by OMB, would not change. Investment advisers are permitted to provide the information required by rule 206(4)-3 electronically.[8]

4. Duplication

No other rule requires investment advisers to provide clients or prospective clients with the same information that is required by rule 206(4)-3.

5. Effect on Small Entities

The requirements for rule 206(4)-3 are the same for all investment advisers registered with the Commission, including small entities. It would defeat the purpose of the rule to exempt small entities from these requirements. For purposes of Commission rulemaking, an investment adviser is a small business if it has assets under management of less than $25 million and meets certain other requirements. Advisers with assets under management of less than $25 million are eligible to register with the Commission only if they advise a registered investment company, are not regulated or required to be regulated as an investment adviser in the state in which they

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

maintain their principal office and place of business, or are qualified under rule 203A-2.

6. Consequences of Not Conducting Collection

Amended Rule 206(4)-3 would require solicitors or advisers to deliver the required disclosure at the time of the solicitation or referral; without this information at the time of the solicitation or referral, the client would be unaware of the solicitor's financial interest in the recommendation.

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

Not applicable.

8. Consultation Outside the Agency

The Commission and staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment adviser profession through public conferences, meetings and informal exchanges. These various forums provide the Commission and staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. In addition, the Commission has requested public comment on the information collection requirements in rule 206(4)-3 in the release proposing the amendments described above. The Commission has not yet received any comments in response to this request.

9. Payment or Gift

Not applicable.

10. Confidentiality

The information collected pursuant to rule 206(4)-3 requires solicitors or advisers to provide information to advisory clients and prospective clients. Accordingly, these disclosures would not be kept confidential.

11. Sensitive Questions

[No information of a sensitive nature will be required under this collection of information. The IARD system contains an embedded check which prevents individuals' social security numbers from being subject to public view.

b. The information collection collects basic Personally Identifiable Information (PII) that may include names, dates of birth and social security numbers (the social security numbers are screened from public view). The agency has determined that the information collection constitutes a system of record for purposes of the Privacy Act and is covered under System of Records Notice (SORN) SEC-50 "Investment Adviser Records". The Investment Adviser Records SORN is provided as a supplemental document and is also available at https://www.sec.gov/privacy. A Privacy Act Statement is applicable for the information collection and is available on the paper form and web platform.

c. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the IARD system, in connection with this collection of information. The IARD PIA, published on July 8, 2014, is provided as a supplemental document and is also available at https://www.sec.gov/privacy.

Form ADV collects Personally Identifiable Information (PII). Form ADV requires filers to provide names, dates of birth and social security numbers (the social security numbers are screened from public view). The IARD system contains an embedded check which prevents individuals from providing social security numbers. All individuals (and entities other than trusts) are required to obtain CRD numbers, which do not constitute PII. Such collection and usage is necessary for verification purposes. Commission staff uses this information for positive

verification of individuals and entities. Alternative identities are used for all individuals and entities other than trusts because a social security number is the only identifier available to them. The Commission complies with section 7 of the Privacy Act of 1974 because the Advisers Act authorizes the Commission to collect this information on Form ADV from advisers.[9] Filing Form ADV is mandatory. A System of Records Notice has been published in the Federal Register at 66 FR 7820. It, along with instructions on how to obtain the applicable Privacy Impact Assessment, can be found at: http://www.sec.gov/about/privacy/secprivacyoffice.htm.]

12. Burden of Information Collection

The approved annual aggregate burden for rule 206(4)-3 is currently 30,941 hours, with a total annual aggregate monetized cost burden of approximately $0. We estimate that approximately 47.8 percent of the investment advisers registered with the Commission, or 6,432 advisers, would be subject to this collection of information. This estimate is based on a number of inputs, as follows:

- Currently, it is reported that about 27 percent of investment advisers registered with the Commission (3,655 RIAs) compensate persons other than employees to obtain one or more *clients.*[10]

[9] *See* 15 U.S.C. §§ 80b-3 and 80b-4.

[10] Estimate based on IARD data from Form ADV, Part 1, Item 8.H.1 as of September 30, 2019. This Item relates to compensation for *client* referrals. This number represents Firms that responded "Yes" to Item 8.H.1 (indicating that they or any related person, directly or indirectly, compensate any person that is not an employee for client referrals).

- In addition, approximately 7.2 percent investment advisers registered with the Commission (976 RIAs) report that they compensate only *employees* to obtain one or more *clients*.[11] These advisers would be exempt from this proposed collection of information if the affiliation between the adviser and the solicitor is "readily apparent" (if the affiliation is not readily apparent, they would be subject to the requirement to disclose the affiliation at the time of solicitation, which would be a collection of information hereunder). For purposes of this information collection we estimate that approximately half of these advisers (488 RIAS, or approximately 3.6 percent of all RIAs) would be exempt from this collection of information because their affiliation would be readily apparent. The other 50 percent (488 RIAS, or approximately 3.6 percent of all RIAs) would be subject to only part of this collection of information, which would be an abbreviated disclosure.
- The number of advisers that currently report that they compensate persons for client referrals includes advisers that use cash as well as non-cash compensation, but we estimate that even more investment advisers would be subject to this proposed collection of information. This is because advisers might not currently view directed brokerage as a type of non-cash compensation, and consequently might not be reporting on Form ADV that they compensate any person for client referrals when they use directed brokerage as a form of compensation.[12] We therefore estimate that another 5 percent of all RIAs (673 RIAs) would use proposed rule 206(4)-3 to compensate any person for *client* referrals and be subject to this collection of information.
- Approximately 4 of the advisers that currently report that they compensate persons for referrals also report that they provide only impersonal investment advisory services, and would therefore be exempt from proposed rule's requirements that are collections of information, and would not be subject to this collection of information.[13]
- In addition, approximately 1,590 registered investment advisers to private funds currently report that they use at least one marketer to obtain investors in private funds, and would likely be newly subject to the proposed rule with respect to such fund marketing arrangements.[14] Of the 1,590 registered investment advisers to private funds that use at least one solicitor, approximately 210

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[11] 976 advisers responded "yes" to Item 8.H.2 (indicating that they or any related person, directly or indirectly, provide any *employee* compensation that is specifically related to obtaining clients for the firm) -- and responded "No" to Item 8.H.1. Under the proposed rule, an adviser that compensates only its employees for solicitation would be exempt from the written agreement and solicitor disclosure obligations of the proposed rule, except when the affiliation is not readily apparent. If the affiliation is not readily apparent, the adviser would be required to disclose the affiliation to the investor and would therefore be subject to this collection of information only with respect to such disclosure.

[12] The Instruction to Form ADV Item 8.H and 8.I reads: "In responding to Items 8.H. and 8.I., consider all cash and non-cash compensation that you or a related person gave to (in answering Item 8.H.) or received from (in answering Item 8.I.) any person in exchange for client referrals, including any bonus that is based, at least in part, on the number or amount of client referrals."

[13] Estimate based on IARD data from Form ADV. This number includes firms that responded "Yes" to Item 8.H.1 or 8.H.2, and responded in Item 5.G., that they only provide any of the following advisory services, which likely would be "impersonal investment advice" under the proposed rule: (8) Publication of periodicals or newsletters; (9) Security ratings or pricing services; (10) Market timing services; and/or (11) Educational seminars/workshops.

[14] Estimate based on IARD data from Form ADV Part 1A, Section 7.A.(1) (Private Fund Reporting) of Schedule D, as of September 30, 2019. Firms that responded "Yes" to Question 28.(a), indicated that they use the services of someone other than the firm or the firm's employees for marketing purposes (firms must answer "yes" if they use a placement agent, consultant, finder, introducer, municipal advisor or other solicitor, or similar person). We believe that marketers reported in this Item would generally be solicitors under the proposed rule.

advisers use only solicitors that are "related persons" of the firm, and would be eligible to use the proposed rule's partial exemption for affiliated solicitors if the affiliation is readily apparent.[15] For purposes of this PRA, we estimate that half of these advisers, or 105 advisers, would be exempt from this collection of information because their affiliation would be readily apparent, and the other half, or 105 advisers, would be subject to only part of this collection of information, which would be an abbreviated disclosure stating the affiliation.[16]

- In addition, advisers that use nonprofit programs for solicitation would be exempt from the rule, but would be subject to the collection of information only with respect to limited disclosures. We estimate that very few advisers would use the nonprofit solicitation exemption. For purposes of this PRA, we believe that one percent of registered investment advisers – or approximately 135 advisers -- would use the nonprofit exemption.
- Therefore, we estimate that the total number of RIAs that would be subject to this collection of information are approximately 6,432 registered investment advisers (3,655 + 488 + 673 – 4 + 1,590 – 210 + 105 +135 registered investment advisers), or 46.7% of RIAs, would be subject to the proposed collection of information.[17] Of these advisers, (i) 5,704 advisers, or approximately 42.4 percent of all RIAs, would be subject to the complete collection of information, and (ii) 728 advisers, or approximately 5.4 percent of all RIAs, would be subject to a limited subset of this collection of information.

We are estimating that each registered investment adviser subject to the proposed solicitation rule would enter into 3 solicitation relationships each year. Even though our data shows that registered investment advisers to private funds report a median of one "marketer",[18]

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[15] Estimate based on IARD data from Form ADV Part 1A, Section 7.A.(1) (Private Fund Reporting) of Schedule D, as of September 30, 2019.

[16] Our proposed rule would partially exempt a solicitor that is one of the investment adviser's partners, officers, directors, or employees, or is a person that controls, is controlled by, or is under common control with the investment adviser, or is a partner, officer, director or employee of such a person: provided that (A) the affiliation between the investment adviser and such person is readily apparent or is disclosed to the client or private fund investor at the time of the solicitation, and (B) and the adviser documents such solicitor's status at the time the adviser enters into the solicitation arrangement.

[17] We estimate that this number would both increase and decrease to account for: (i) advisers that would newly be subject to the solicitation rule with respect to compensating persons for endorsements under the proposed amendments to the advertising rule 206(4), and therefore, depending on the facts and circumstances, they would be subject to the solicitation rule for such activity (we also estimate that some of these advisers would already be subject to the solicitation rule for conducting other paid solicitations); and (ii) advisers that would newly be exempted from the solicitation rule because of the proposed *de minimis* exemption. We estimate that the addition and subtraction of these advisers would net to zero change to the total estimate of the number of registered investment advisers that would be subject to the proposed amendments to the solicitation rule.

[18] For registered investment advisers to private funds that report using at least one marketer, the average number of marketers reported is 2.9, while the median reported is 1 and the maximum is 79. Based on responses to Section 7.B.(1) 28(a) as of September 30, 2019.

which would be a solicitor under the proposed rule, we are aware that many firms act as solicitors or marketers for multiple advisers and private funds.[19] In addition, we estimate that the median number of solicitors per adviser would be greater than one when taking into account all advisers that use solicitors (for private funds and/or other advisory services), even though solicitors for *de minimis* compensation would be exempt from this collection of information under our proposed rule. We therefore recognize that while some advisers may use only one or a few solicitors to solicit a few targeted investors, other advisers may use numerous solicitors to solicit investors. In addition, we believe that many advisers that use solicitors enter into long-term multi-year solicitation relationships with their solicitors, and do not necessarily engage new solicitors each year. Therefore, we are estimating that advisers would enter into approximately three contracts with new solicitors per year (advisers that engage solicitors on a long-term basis would enter fewer contracts each year, and advisers that routinely use new solicitors would enter more contracts each year). The estimated number of contracts and disclosures per adviser and solicitor per year reflects an estimate in this variable range. We estimate that for each registered investment adviser that would use the proposed rule, there would be approximately 30 referrals annually. We have seen changes in solicitation practices over the years due to changes in technology and the use of social media, making it easier for advisers to use multiple solicitors to solicit multiple clients.

This collection of information consists of three components: (i) the requirement to enter into a written agreement; (ii) the requirement to prepare and deliver the solicitor disclosure (as

[19] *See id.*

part of the written agreement requirement), and (iii) the requirement to oversee the solicitor relationship. In addition, as discussed above, certain advisers that would use the proposed rule's exemptions for affiliated solicitors and for nonprofit programs would be subject to this collection of information only with respect to a limited subset of required disclosures, as follows: (i) advisers that use affiliated solicitors for whom the affiliation is not readily apparent would be required to disclose the affiliation at the time of solicitation; and (ii) advisers that use nonprofit programs that would be eligible for the rule's exemption would be required make certain disclosures about the nonprofit program.

Because a written agreement would be required for each solicitation relationship subject to this collection of information (other than the relationships with affiliated advisers and nonprofit programs that would be subject to a limited subset of disclosures but not subject to the written agreement requirement), we estimate that each such adviser would be subject to this proposed collection of information regarding entering into the written agreement 17,112 times (5,704 registered investment advisers x 3 written agreements each). We estimate that compliance with the proposed rule's solicitor disclosure preparation and delivery requirement would result in 171,120 total responses (5,704 advisers x 30 solicitor disclosures). Finally, we estimate that compliance with the proposed rule's requirements regarding oversight of the solicitor relationship would result in 17,112 total annual responses (5,704 advisers x 3 solicitor relationships per adviser).

The estimated average internal burden hours each year per adviser to comply with the rule's requirement to enter into a written agreement with each solicitor (other than would be 3

hours, or a total of 17,112 aggregate average burden hours each year.[20] We estimate that this burden would be ongoing, since we estimate that advisers would enter into approximately 3 new solicitation agreements each year. An adviser's in-house compliance managers and compliance attorneys are likely to prepare the written agreements. We estimate the blended hourly wage rate for compliance managers and compliance attorneys to be $337.[21] Accordingly, the annual cost of the burden hours to each adviser regarding the requirement to enter into a written agreement would be $1,011 per adviser ($337 x 3 hours), or $5,766,744 for advisers in the aggregate ($337 x 17,112 hours).

We estimate that the average internal burden for the adviser to prepare and deliver each solicitor disclosure would be 0.10 hours per solicitor disclosure. We therefore propose that the estimated average internal burden hours each year per adviser to prepare and deliver the solicitor disclosures would be 3 hours (0.10 hours x 30 solicitor disclosures), for a total of 17,112 hours for advisers (3 hours x 5,704 advisers). An investment adviser's in-house compliance managers and compliance attorneys would likely prepare solicitor disclosures, and in-house marketing personnel would likely deliver the solicitor disclosures. The blended rate of these professionals is

[20] 1 hour per written agreement (1 x 3 = 3 hours). 3 hours x 5,704 RIAs = 18,015 hours.

[21] This estimate is based on the following calculation: $337 (blended rate for a compliance manager ($309) and a compliance attorney ($365)). The hourly wages used are from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

$307.50.[22] Accordingly, the annual cost of the burden to each adviser to prepare the solicitor disclosure would be $5,261,940 (17,112 hours x $307.50). We estimate that 20 percent of the solicitor disclosures would be delivered by the U.S. Postal Service, with the remaining 80 percent delivered electronically or as part of another delivery of documents. We therefore estimate that respondents will incur aggregate incremental postage costs of $18,823.20 ($0.55 x 30 disclosures x 1,141 RIAs).

We estimate the average burden hours each year per adviser to oversee the solicitation relationship would be two hours for each solicitor relationship, or six hours for each adviser that is subject to this collection of information.[23] In-house compliance managers and compliance attorneys are likely to provide oversight of the written agreement (including the solicitor disclosure) under the rule. We estimate the blended hourly wage rate for compliance managers and compliance attorneys to be $337.[24] Accordingly, the annual cost to each respondent regarding oversight of the solicitor disclosure and written agreement would be $2,022 ($674 per solicitor relationship x 3 solicitor relationships). Accordingly, the annual cost to all advisers

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[22] We estimate the hourly wage for in-house marketing personnel to be $278, which is the hourly wage used in SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. We estimate the blended hourly wage rate for compliance managers and compliance attorneys to be $337 (blended rate for a compliance manager ($309) and a compliance attorney ($365)). The hourly wages used are from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. Therefore, the blended rate for both of these professionals is $307.50 (($278 + $337) / 2).

[23] This estimate is based on the following calculation: 2 hours per each solicitor relationship x 3 solicitor relationships.

[24] This estimate is based on the following calculation: $337 (blended rate for a compliance manager ($309) and a compliance attorney ($365)). The hourly wages used are from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

subject to this collection of information regarding the oversight of the solicitor disclosure and written agreement would be $11,533,488 ($337 per hour x 17,112 hours).

Advisers that use the following types of solicitors would be reflected in this collection of information only with respect to abbreviated disclosures: (i) affiliated solicitors (whose affiliation is not "readily apparent") and (ii) nonprofit solicitors. We anticipate that these advisers would incur an ongoing annual burden of 0.3 hours per year to make the abbreviated disclosures (0.01 hours per disclosure x 30 disclosures = 0.3 hours per year). This burden includes the preparation and delivery of the disclosures. Because the disclosures would be very brief, we believe that all such advisers would deliver the required disclosures either electronically or as part of another delivery of documents, and therefore would not incur any additional postage costs.

Accordingly, we estimate the total annual cost of the hour burden to be approximately $22,654,596, which is the sum of: $5,766,744 (ongoing cost of the hour burden for entering into written agreements), $5,261,940 (ongoing cost of the hour burden for preparation and delivery of the solicitor disclosures), $18,823.20 (postage costs for delivery), $11,533,488 (ongoing cost of the hourly burden for oversight of the solicitor relationships), and $73,600.80 (ongoing cost of the hour burden for solicitation relationships with (i) affiliated solicitors (whose affiliation is not "readily apparent") and (ii) nonprofit solicitors).

The table below provides a summary of the annual burden hours.

Summary of Annual Responses, Burden Hours, and Burden Hour Costs Estimates for Rule 206(4)-3

IC	Rule 206(4)-3 under the Investment Advisers Act of 1940	**Annual No. of Responses**			**Annual Time Burden (Hrs.)**			**Monetized Time Burden ($)**		
	Description of Parts of IC	*Previously approved*	*Requested Change Due to New Statute*	*Total*	*Previously approved*	*Requested Change Due to New Statute*	*Total*	*Previously approved*	*Requested Change Due to New Statute*	*Total*
IC1	Preparing and delivering written solicitation agreement and related disclosures and oversight of solicitor relationships	48,345	139,887	188,232	30,941	37,965	68,906	0	22,654,596	22,654,596
Total for IC		48,345	139,887	188,232	30,941	37,695	68,636	0	22,654,596	22,654,596

13. Cost to Respondents

$0.

14. Cost to the Federal Government

Rule 206(4)-3 does not impose any costs on the Federal government because there are no separate filing requirements with the Commission.

15. Changes in Burden

On a per adviser basis, the ongoing burden for each adviser that would be subject to this collection of information would be: (i) 12 hours per year for each adviser other than those that would use only affiliated solicitors whose affiliation is not "readily apparent" or nonprofit solicitors, and (ii) 0.3 hours per year per each adviser that enters into solicitation relationships with affiliated solicitors whose affiliation is not "readily apparent" or nonprofit solicitors. The estimated burden hours per year for advisers subject to this proposed collection of information would therefore be: 10.7 hours per year per adviser subject to this collection of information per year per adviser ((12 hours x 89 percent)[25] + (0.3 hours x 11 percent)[26] =10.713 hours).

The overall hour burden per adviser would increase from 7.04 hours to 10.7 hours, a difference of 3.66 hours[27], for advisers that are currently subject to the rule. This burden would be new for advisers that would be newly subject to the rule. We estimate that the total burden

[25] 89 percent is the percentage of RIAs we estimate would be subject to all aspects of this collection of information (5,704 RIAs) out of all RIAs subject to this collection of information (6,432 RIAs).

[26] 11 percent is the percentage of RIAs we estimate would be subject to only part of this collection of information, because they would use nonprofit solicitors or are affiliated with the adviser (where the affiliation is not readily apparent) (728 RIAs) out of all RIAs subject to this collection of information (6,432 RIAs).

[27] 10.7 hours – 7.04 hours = 3.6 hours

hours under the rule would increase from 30,941 hours to approximately 68,906 hours, an increase of approximately 37,695 hours.[28]

We estimate the total annual cost of the hour burden to be approximately $22,654,596, which is the sum of: $5,766,744 (ongoing cost of the hour burden for entering into written agreements), $5,261,940 (ongoing cost of the hour burden for preparation and delivery of the solicitor disclosures), $18,823.20 (postage costs for delivery), $11,533,488 (ongoing cost of the hourly burden for oversight of the solicitor relationships), and $73,600.80 (ongoing cost of the hour burden for solicitation relationships with (i) affiliated solicitors (whose affiliation is not "readily apparent") and (ii) nonprofit solicitors).

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

Not applicable.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

[28] 10.713 hours x 6,432 RIAs = 68,906 hours.