SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for Rule 204(b)-1 and Form PF

A. JUSTIFICATION

1. Necessity for the Information Collection

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") established the Financial Stability Oversight Council ("FSOC") to monitor emerging risks to U.S. financial stability.[1] Sections 404 and 406 of the Dodd-Frank Act direct the Securities and Exchange Commission ("SEC") to supply FSOC with information for use in monitoring systemic risk by establishing reporting requirements for private fund advisers.[2] On October 26, 2011, in a joint release with the Commodity Futures Trading Commission ("CFTC"), the SEC adopted rule 204(b)-1 under the Investment Advisers Act of 1940 ("Advisers Act"). This rule implements sections 404 and 406 of the Dodd-Frank Act by requiring private fund advisers that have at least $150 million in private fund assets under management to report certain information regarding the private funds they advise on Form PF.

Form PF contains a "collection of information" within the meaning of the Paperwork Reduction Act of 1995 ("PRA").[3] The paperwork burden associated with rule 204(b)-1 is included in the collection of information burden associated with Form PF and, therefore, does not entail a separate collection of information.

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1 Pub. L. No. 111-203, 124 Stat. 1376 (2010).

2 For the purposes of this supporting statement, a "private fund adviser" is any investment adviser that (i) is registered or required to register with the SEC and (ii) advises one or more private funds. *See* Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF, Investment Advisers Act Release No. IA-3308 (Oct. 31, 2011) ("Adopting Release").

3 44 U.S.C. 3501-3521.

Form PF divides respondents into two broad groups, Large Private Fund Advisers and smaller private fund advisers. "Large Private Fund Advisers" are advisers with at least $1.5 billion in assets under management attributable to hedge funds ("large hedge fund advisers"), advisers that manage "liquidity funds" and have at least $1 billion in combined assets under management attributable to liquidity funds and registered money market funds ("large liquidity fund advisers"), and advisers with at least $2 billion in assets under management attributable to private equity funds ("large private equity advisers").[4] All other respondents are considered smaller private fund advisers.

Smaller private fund advisers must report annually and provide only basic information regarding their operations and the private funds they advise. Large private equity advisers also must report on an annual basis but are required to provide additional information with respect to the private equity funds they manage. Finally, large hedge fund advisers and large liquidity fund advisers must report on a quarterly basis and provide more information than other private fund advisers.

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[4] *See* the Adopting Release for definitions of "hedge fund," "liquidity fund," and "private equity fund."

In addition to periodic filings, a private fund adviser is required to file very limited information on Form PF in three situations. First, any adviser that transitions from quarterly to annual filing because it has ceased to be a large hedge fund adviser or large liquidity fund adviser must file a Form PF indicating that it is no longer obligated to report on a quarterly basis. Second, filers that are no longer subject to Form PF's periodic reporting requirements must file a final report indicating that fact. Finally, an adviser experiencing technical difficulties in submitting Form PF may request a temporary hardship exemption by filing portions of Form PF in paper format.[5]

On July 23, 2014, the SEC adopted amendments to Form PF under the Advisers Act.[6] Those amendments to Form PF affected only large liquidity fund advisers and required them to disclose on Form PF certain additional information with respect to each portfolio security, for each month of the reporting period.

The Office of Management and Budget ("OMB") approved, and subsequently extended, this collection under control number 3235-0679.

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5 *See* rule 204(b)-1(f). The rule requires that the adviser provide limited information describing the nature of the hardship.

6 See Money Market Fund Reform; Amendments to Form PF, Investment Company Act Release No. 33-9616 (July 23, 2014).

2. Purpose and Use of the Information Collection

Form PF is designed to facilitate FSOC's monitoring of systemic risk in the private fund industry and to assist FSOC in determining whether and how to deploy its regulatory tools with respect to nonbank financial companies.[7] The SEC and the CFTC may also use information collected on Form PF in their regulatory programs, including examinations, investigations and investor protection efforts relating to private fund advisers. The respondents to Form PF are private fund advisers, as defined above, that have $150 million or more in assets under management attributable to private funds. Compliance with Form PF is mandatory for any such private fund adviser. Responses to the information collection will be kept confidential to the extent permitted by law.[8]

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7 *See* section I.A of the Adopting Release.

8 *See* below section A.7 of this supporting statement.

3. Consideration Given to Information Technology

Under rule 204(b)-1(b), Form PF must be filed through an electronic system designated by the SEC for this purpose. The Financial Industry Regulatory Authority ("FINRA") maintains the filing system for Form PF through the Private Fund Reporting Depository ("PFRD"), a subsystem of the Investment Adviser Registration Depository ("IARD"), through which registered advisers are already separately obligated to file annual reports on Form ADV. Form PF may be filed either through a fillable form on the PFRD website or through a batch filing process utilizing the eXtensible Markup Language ("XML") tagged data format. Certain advisers may prefer to report in XML format because it allows them to automate aspects of their reporting and thus minimize burdens and generate efficiencies for the adviser. Collecting information electronically will reduce the regulatory burden upon investment advisers by providing a convenient portal for quickly transmitting reports and, for advisers that submit their reports in XML format in particular, allowing them to automate aspects of their reporting.

4. Duplication

The collection of information requirements of Form PF are not duplicated elsewhere.

5. Effect on Small Entities

Under SEC rules, for the purposes of the Advisers Act and the Regulatory Flexibility Act, an investment adviser generally is a small entity if it: (i) has assets under management having a total value of less than $25 million; (ii) did not have total assets of $5 million or more on the last day of its most recent fiscal year; and (iii) does not control, is not controlled by, and is not under common control with another investment adviser that has assets under management of $25 million or more, or any person (other than a natural person) that had total assets of $5 million or more on the last day of its most recent fiscal year.[9]

Under section 203A of the Advisers Act, most advisers qualifying as small entities are prohibited from registering with the SEC and are instead registered with state regulators. Therefore, few small advisers will meet the registration criterion. Fewer still are likely to meet the minimum reporting threshold of $150 million in regulatory assets under management attributable to private funds. By definition, no small entities will, on their own, meet this threshold. Advisers are, however, required to determine whether they exceed this threshold by aggregating their private fund assets under management with those of their related persons (other than separately operated related persons), with the result that some small entities may be subject to Form PF reporting requirements.

[9] 17 CFR 275.0-7(a).

6. Consequences of Not Conducting Collection

The collection of information required by Form PF is intended to implement the requirements of sections 404 and 406 of the Dodd-Frank Act and is designed to provide FSOC with timely information for purposes of monitoring systemic risk in the private fund industry. The frequency of collection will vary depending on the size of the adviser and the types of private funds it manages, which balances the need for (and value of) current information against the relative reporting burden for different types of advisers. In addition, if the information either is not collected or is collected less frequently, FSOC's ability to monitor systemic risk, and the SEC's ability to protect investors, may be reduced.

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

Under applicable federal regulations, OMB generally will not approve a collection of information that includes a pledge of confidentiality unless the pledge is "supported by disclosure and data security policies that are consistent with the pledge...."[10] In addition, if an agency proposes to collect confidential information, it must be able to "demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law."[11]

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[10] 5 CFR 1320.5(d)(2)(vii).

[11] 5 CFR 1320.5(d)(2)(viii).

Form PF elicits non-public information about private funds and their trading strategies, the public disclosure of which could adversely affect the funds and their investors. The SEC does not intend to make public Form PF information identifiable to any particular adviser or private fund, although the SEC may use Form PF information in an enforcement action.[12] The Dodd-Frank Act amended the Advisers Act to preclude the SEC from being compelled to reveal this information except in very limited circumstances. Similarly, the Dodd-Frank Act exempts the CFTC from being compelled under FOIA to disclose to the public any information collected through Form PF and requires that the CFTC maintain the confidentiality of that information consistent with the level of confidentiality established for the SEC in section 204(b) of the Advisers Act. The SEC makes information collected through Form PF available to FSOC, as the Dodd-Frank Act requires, subject to the confidentiality provisions of the Dodd-Frank Act.[13]

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12 *See* sections II.D and II.E of the Adopting Release.

13 *See* section 204(b) of the Advisers Act.

The Dodd-Frank Act contemplates that Form PF data may also be shared with other Federal departments or agencies or with self-regulatory organizations, in addition to the CFTC and FSOC, for purposes within the scope of their jurisdiction.[14] In each case, any such department, agency, or self-regulatory organization is exempt from being compelled under FOIA to disclose to the public any information collected through Form PF and must maintain the confidentiality of that information consistent with the level of confidentiality established for the SEC in section 204(b) of the Advisers Act.[15] Prior to sharing any Form PF data, the SEC also requires that any such department, agency, or self-regulatory organization represent to the SEC that it has in place controls designed to ensure the use and handling of Form PF data in a manner consistent with the protections established in the Dodd-Frank Act.[16]

Certain aspects of the Form PF reporting requirements also help to mitigate the potential risk of inadvertent or improper disclosure. For instance, the SEC has designed controls and systems for the use and handling of Form PF data in a manner that reflects the sensitivity of this data and is consistent with the confidentiality protections established in the Dodd-Frank Act.

8. Consultation Outside the Agency

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

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14 *See* section 204(b)(8)(B)(i) of the Advisers Act.

15 *See* sections 204(b)(9) and (10) of the Advisers Act.

16 This would be consistent with the SEC's current practice of requiring that it receive, prior to sharing nonpublic information with other regulators, "such assurances of confidentiality as the [SEC] deems appropriate." *See* section 24(c) of the Exchange Act and rule 24c-1 thereunder.

The Commission requested public comment on the collection of information requirements in Form PF before it submitted this request for extension and approval to OMB. The Commission received no comments in response to this request.

9. Payment or Gift

Not applicable.

10. Confidentiality

See section A.7 of this supporting statement.

11. Sensitive Questions

Form PF elicits non-public information about private funds and their trading strategies, the public disclosure of which could adversely affect the funds and their investors. In addition, Form PF collects basic Personally Identifiable Information (PII), that may include a name, job title, telephone number, email address, user ID, IP address, date/time of access, queries ran, ID files accessed and contents of files. A System of Records Notice that covers this collection of information has been published in the Federal Register at 66 FR 7820, which can be found at http://www.sec.gov/about/privacy/sorn/secsorn50.pdf. Instructions for obtaining the Privacy Impact Assessment for IARD can be found at http://www.sec.gov/about/privacy/secprivacyoffice.htm.

12. Burden of Information Collection

(a) Estimate of Hour Burden

Existing Estimates

Following our most recent Paperwork Reduction Act submission for Form PF, OMB approved a total annual compliance burden of 427,394 annual aggregate hours to comply with the collection of information requirement of rule 204(b)-1 and Form PF (including amendments to Form PF adopted in 2014).

In estimating the compliance burden, the SEC has estimated that the amortized annual burdens of Form PF for each type of adviser required to file Form PF is as follows:

(a) For smaller private fund advisers (i.e., private fund advisers required to file Form PF and not meeting the thresholds as Large Private Fund Advisers), the estimated amortized average annual burden of periodic filings is 23 hours for each of the first three years for new filers[17] and 15 hours for each of the next three years for existing filers,[18] and the estimated amortized aggregate annual burden of periodic filings is 31,518 hours for each of the first three years.[19]

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17 The SEC has estimated that a new smaller private fund adviser will make 3 annual filings in three years, for an amortized average annual burden of 23 hours (1 initial filing X 40 hours + 2 subsequent filings X 15 hours = 70 hours; and 70 hours ÷ 3 years = approximately 23 hours), and that existing filers generally will not incur the start-up burdens applicable to the first filing.

18 The SEC estimated that, other than in any year in which a smaller private fund adviser is filing its initial Form PF, a smaller private fund adviser will make 3 annual filings in three years, for an amortized average annual burden of 15 hours (3 filings X 15 hours = 45 hours; and 45 hours ÷ 3 years = approximately 15 hours).

19 The SEC indicated that (23 burden hours on average per year X 231 smaller private fund advisers) + (15 burden hours on average per year X 1,747 smaller private fund advisers) = approximately 31,518 burden hours per year.

(b) For large hedge fund advisers, the estimated amortized average annual burden of periodic filings is 658 hours for each of the first three years for new filers[20] and 600 hours for each of the next three years for existing filers,[21] and in the aggregate, the estimated amortized annual burden of periodic filings is 363,502 hours for each of the first three years;[22]

(c) For large liquidity fund advisers, the estimated amortized average annual burden of periodic filings is 588 hours for each of the first three years for new filers[23] and 280 hours for each of the next three years for existing filers,[24] and in the aggregate, the estimated amortized annual burden of periodic filings is 7,616 hours for each of the first three years;[25]

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20 The SEC estimated that a large hedge fund adviser making its first filing will have an amortized average annual burden of 658 hours (1 initial filing X 325 hours + 11 subsequent filings X 150 hours = 1,975 hours; and 1,975 hours ÷ 3 years = approximately 658 hours).

21 The SEC estimated that a large hedge fund adviser that is not making its initial filing will have an amortized average annual burden of 600 hours (12 filings X 150 hours = 1,800 hours; and 1,800 hours ÷ 3 years = approximately 600 hours).

22 The SEC indicated that (658 burden hours on average per year X 19 large hedge fund advisers) + (600 burden hours on average per year X 585 large hedge fund advisers) = approximately 363,502 burden hours per year.

23 The SEC estimated that a large liquidity fund adviser will make 12 quarterly filings in three years, for an amortized average annual burden of 588 hours, and after the first three years, filers generally would not incur the start-up burdens applicable to the first filing.

24 The SEC estimated that, other than in any year in which a large liquidity fund adviser is filing its initial Form PF, a large liquidity fund adviser will make 12 quarterly filings in three years, for an amortized average annual burden of 280 hours (12 filings X 70 hours = 840 hours; and 840 hours ÷ 3 years = approximately 280 hours).

25 The SEC indicated that (588 burden hours on average per year X 2 large liquidity fund advisers) + (280 burden hours on average per year X 23 large liquidity fund advisers) = approximately 7,616 burden hours per year.

(d) For large private equity advisers, the estimated amortized average annual burden of periodic filings is 133 hours for each of the first three years for new filers[26] and 100 hours for each of the next three years for existing filers,[27] and in the aggregate, the estimated amortized annual burden of periodic filings is 24,731 hours for each of the first three years;[28]

(e) For advisers transitioning from quarterly to annual filings because they have ceased to be large hedge fund advisers or large liquidity fund advisers, the estimated total is 10 burden hours per year for all fund advisers;[29]

New Estimates

Based on the Private Funds Statistics,[30] as of 2019 Q4,[31] there were 3,225 Form PF filers. Of those, there were 2,327 smaller private fund advisers.

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26 The SEC estimated that a large private equity adviser making its initial filing will have an amortized average annual burden of 133 hours (1 initial filing X 200 hours + 2 subsequent filings X 100 hours = 400 hours; and 400 hours ÷ 3 years = approximately 133 hours).

27 The SEC estimated that a large private equity adviser that is not making its initial filing will have an amortized average annual burden of 100 hours (3 filings X 100 hours = 300 hours; and 300 hours ÷ 3 years = approximately 100 hours).

28 The SEC indicated that (133 burden hours on average per year X 7 large private equity advisers) + (100 burden hours on average per year X 238 large liquidity fund advisers) = approximately 24,731 burden hours per year.

29 This estimate is based on IARD data on the number of private fund advisers that checked the box next to "Transition to annual reporting" in Section 1a of Form PF. (40 X 0.25 hours = 10 hours.)

30 Division of Investment Management, Private Funds Statistics, Fourth Calendar Quarter 2019 (Oct. 2, 2020), *available at* https://www.sec.gov/divisions/investment/private-funds-statistics.shtml.

31 Only a subset of filers (Large Hedge Fund Advisers and Large Liquidity Fund Advisers) are required to file Form PF quarterly; all other filings are made annually. Annual filings are typically, but not always, made at the end of the calendar year, as Form PF allows filings to be made at the end of an adviser's fiscal year. In order to present the most complete and recent data possible, while accounting for differences in filing dates, we use the following procedure for determining which data to consider in any given quarter: (Q1) - February 15 to May 14; (Q2) – May 15 to August 14; (Q3) – August 15 to November 14; and (Q4) – November 15 to February 14. Then, responses for funds that have no information are 'filled forward' — essentially, copied from last reported values — up to a maximum of three quarters. Any fund that has no data four quarters after its most recent date is no longer counted or included in any calculations. *See id*, at 52.

There have been no amendments to Form PF since our most recent Paperwork Reduction Act submission for Form PF, which took into account the 2014 amendments that affected only Large Liquidity Fund Advisers. We are not modifying the existing estimate as to the initial burden and ongoing burden per filing of each type of adviser required to file Form PF. We are slightly modifying the existing estimates as to the number of filers that are making their first Form PF filing each year based on the data provided by Private Funds Statistics. We estimate that most filers of Form PF have already made their first filing, and so we estimate that the burden hours applicable to those filers will reflect only ongoing burdens, and not start-up burdens.

Based on the Private Funds Statistics, as of 2019 Q4, there were 2,327 smaller private fund advisers (i.e., private fund advisers required to file Form PF and not meeting the thresholds as Large Private Fund Advisers) that filed Form PF. In our most recent Paperwork Reduction Act submission for Form PF, we estimated that 11.7% of smaller private fund advisers made their first Form PF filing. For purposes of this submission, we assume that annually there will be approximately 272 smaller private fund advisers making their first Form PF filing, each of which will incur initial start-up costs and burdens.[32] For these advisers, the estimated amortized average annual burden of periodic filings is 23 hours for each of the first three years,[33] and the estimated amortized aggregate annual burden of periodic filings is 6,256 hours for each of the first three years.[34] For the other estimated 2,055 smaller private fund advisers that already file Form PF, the estimated amortized average annual burden of periodic filings is 15 hours for each of the next three years,[35] and the estimated amortized aggregate annual burden of periodic filings is 30,825 hours for each of the next three years.[36] Accordingly, the total estimated amortized aggregate annual burden for smaller private fund advisers is 37,081 hours.[37]

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32 2,327 smaller private fund advisers (as of 2019 Q4) X .117 (prior ratio of smaller private fund advisers who made their first Form PF filing) = 272.26.

33 The SEC has not modified its estimate that a new smaller private fund adviser will make 3 annual filings in three years, for an amortized average annual burden of 23 hours (1 initial filing X 40 hours + 2 subsequent filings X 15 hours = 70 hours; and 70 hours ÷ 3 years = approximately 23 hours), and that existing filers generally will not incur the start-up burdens applicable to the first filing.

34 23 burden hours on average per year X 272 smaller private fund advisers = 6,256 burden hours per year.

35 The SEC has not modified its estimate that, other than in any year in which a smaller private fund adviser is filing its initial Form PF, a smaller private fund adviser will make 3 annual filings in three years, for an amortized average annual burden of 15 hours (3 filings X 15 hours = 45 hours; and 45 hours ÷ 3 years = approximately 15 hours).

36 15 burden hours on average per year X 2,055 smaller private fund advisers per year = 30,825 burden hours per year.

37 6,256 burden hours + 30,825 burden hours = 37,081 burden hours.

Based on the Private Funds Statistics, as of 2019 Q4, there were 554 large hedge fund advisers that filed Form PF. In our most recent Paperwork Reduction Act submission for Form PF, we estimated that 3.15% of large hedge fund advisers made their first Form PF filing. For purposes of this submission, we assume that annually there will be approximately 17 large hedge fund advisers making their first Form PF filing, each of which will incur initial start-up costs and burdens.[38] For these advisers, the estimated amortized average annual burden of periodic filings is 658 hours for each of the first three years,[39] and the estimated amortized aggregate annual burden of periodic filings is 11,186 hours for each of the first three years.[40] For the other estimated 537 large hedge fund advisers that already file Form PF, the estimated amortized average annual burden of periodic filings is 600 hours for each of the next three years,[41] and the estimated amortized aggregate annual burden of periodic filings is 322,200 hours for each of the next three years.[42] Accordingly, the total estimated amortized aggregate annual burden for large hedge fund advisers is 333,386 hours.[43]

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38 554 large hedge fund advisers (as of 2019 Q4) X .0315 (prior ratio of large hedge fund advisers who made their first Form PF filing) = 17.45.

39 The SEC has not modified its estimate that a new large hedge fund adviser will make 12 quarterly filings in three years, and that existing filers generally will not incur the start-up burdens applicable to the first filing. Accordingly, the SEC estimates that a large hedge fund adviser making its first filing will have an amortized average annual burden of 658 hours (1 initial filing X 325 hours + 11 subsequent filings X 150 hours = 1,975 hours; and 1,975 hours ÷ 3 years = approximately 658 hours).

40 658 burden hours on average per year X 17 large hedge fund advisers = 11,186 burden hours per year.

41 The SEC has not modified its estimate that, other than in any year in which a large hedge fund adviser is filing its initial Form PF, a large hedge fund adviser will make 12 quarterly filings in three years. Accordingly, the SEC estimates that a large hedge fund adviser that is not making its initial filing will have an amortized average annual burden of 600 hours (12 filings X 150 hours = 1,800 hours; and 1,800 hours ÷ 3 years = approximately 600 hours).

42 600 burden hours on average per year X 537 large hedge fund advisers = 322,200 burden hours per year.

43 11,186 burden hours + 322,200 burden hours = 333,386 burden hours.

Based on the Private Funds Statistics, as of 2019 Q4, there were 22 large liquidity fund advisers that filed Form PF. In our most recent Paperwork Reduction Act submission for Form PF, we estimated that 8.0% of large liquidity fund advisers made their first Form PF filing. For purposes of this submission, we assume that annually there will be approximately two large liquidity fund advisers making their first Form PF filing, each of which will incur initial start-up costs and burdens.[44] For these advisers, the estimated amortized average annual burden of periodic filings is 588 hours for each of the first three years,[45] and the estimated amortized aggregate annual burden of periodic filings is 1,176 hours for each of the first three years.[46] For the other estimated 20 large liquidity fund advisers that already file Form PF, the estimated amortized average annual burden of periodic filings is 280 hours for each of the next three years,[47] and the estimated amortized aggregate annual burden of periodic filings is 5,600 hours for each of the next three years.[48] Accordingly, the total estimated amortized aggregate annual burden for large liquidity fund advisers is 6,776 hours.[49]

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44 22 large liquidity fund advisers (as of 2019 Q4) X .08 (prior ratio of large liquidity fund advisers who made their first Form PF filing) = 1.76.

45 The SEC has not modified its estimate that a new large liquidity fund adviser will make 12 quarterly filings in three years, for an amortized average annual burden of 588 hours, and that existing filers generally will not incur the start-up burdens applicable to the first filing.

46 588 burden hours on average per year X 2 large liquidity fund advisers = 1,176 burden hours per year.

47 The SEC estimates that, other than in any year in which a large liquidity fund adviser is filing its initial Form PF, a large liquidity fund adviser will make 12 quarterly filings in three years, for an amortized average annual burden of 280 hours (12 filings X 70 hours = 840 hours; and 840 hours ÷ 3 years = approximately 280 hours).

48 280 burden hours on average per year X 20 large liquidity fund advisers = 5,600 burden hours per year.

49 1,176 burden hours + 5,600 burden hours = 6,776 burden hours.

Based on the Private Funds Statistics, as of 2019 Q4 there were 322 large private equity advisers that filed Form PF. In our most recent Paperwork Reduction Act submission for Form PF, we estimated that 2.86% of large private equity advisers made their first Form PF filing. For purposes of this submission, we assume that annually there will be approximately 9 large private equity advisers making their first Form PF filing, each of which will incur initial start-up costs and burdens.[50] For these advisers, the estimated amortized average annual burden of periodic filings is 133 hours for each of the first three years,[51] and the estimated amortized aggregate annual burden of periodic filings is 1,197 hours for each of the first three years.[52] For the other estimated 313 large private equity advisers that already file Form PF, the estimated amortized average annual burden of periodic filings is 100 hours for each of the next three years,[53] and the estimated amortized aggregate annual burden of periodic filings is 31,300 hours for each of the next three years.[54] Accordingly, the total estimated amortized aggregate annual burden for large private equity advisers is 32,497 hours.[55]

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50 322 large private equity advisers (as of 2019 Q4) X .0286 (prior ratio of large private equity advisers who made their first Form PF filing) = 9.21.

51 The SEC has not modified its estimate that a new large private equity adviser will make 3 annual filings in three years, and that existing filers generally will not incur the start-up burdens applicable to the first filing. Accordingly, the SEC estimates that a large private equity adviser making its initial filing will have an amortized average annual burden of 133 hours (1 initial filing X 200 hours + 2 subsequent filings X 100 hours = 400 hours; and 400 hours ÷ 3 years = approximately 133 hours).

52 133 burden hours on average per year X 9 large private equity advisers = 1,197 burden hours per year.

53 The SEC has not modified its estimate that, other than in any year in which a large private equity adviser is filing its initial Form PF, a large private equity adviser will make 3 annual filings in three years. Accordingly, the SEC estimates that a large private equity adviser that is not making its initial filing will have an amortized average annual burden of 100 hours (3 filings X 100 hours = 300 hours; and 300 hours ÷ 3 years = approximately 100 hours).

54 100 burden hours on average per year X 313 large private equity advisers = 31,300 burden hours per year.

55 1,197 burden hours + 31,300 burden hours = 32,497 burden hours.

(b) Burden Estimates for Transition Filings, Final Filings, and Temporary Hardship Exemption Requests

In addition to periodic filings, a private fund adviser must file very limited information on Form PF in three situations.

First, any adviser that transitions from quarterly to annual filing because it has ceased to be a large hedge fund or large liquidity fund adviser must file a Form PF indicating that it is no longer obligated to report on a quarterly basis. Based on the Private Funds Statistics, we estimate that as of 2019 Q4, approximately 45 quarterly filers made a transition filing within the prior calendar year.[56] The SEC estimates that each such transition filing imposed a burden of 0.25 hours, or a total of 11.25 burden hours per year for all private fund advisers.[57]

Second, filers who are no longer subject to Form PF's periodic reporting requirements must file a final report indicating that fact. Based on the Private Funds Statistics, we estimate that as of 2019 Q4, approximately 54 advisers filed such a report within the prior calendar year.[58] The SEC estimates that each such filing imposed a burden of 0.25 hours, or a total of 13.5 burden hours per hour for all private fund advisers.[59]

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56 As of 2019 Q4, the number of quarterly filers was 898. In our most recent Paperwork Reduction Act submission for Form PF, we estimated that 5% of quarterly filers made a transition (40/801 quarterly filers in 2017 Q1). 898 X 0.05 = 44.9.

57 45 quarterly filers X .25 hours = 11.25 hours.

58 As of 2019 Q4, the number of quarterly filers was 898. In our most recent Paperwork Reduction Act submission for Form PF, we estimated that 6% of quarterly filers made a final report (48/801 quarterly filers in 2017 Q1). 898 X 0.06 = 53.88.

59 54 quarterly filers X 0.25 = 13.5.

Finally, an adviser experiencing technical difficulties in submitting Form PF may request a temporary hardship exemption by filing portions of Form PF in paper format.[60] The information that must be filed is comparable to the information that Form ADV filers provide on Form ADV-H when requesting a temporary hardship exemption relating to that form. In the case of Form ADV-H, the SEC has estimated that the average burden of filing is 1 hour and that approximately 1 in every 1,000 advisers will file annually. Assuming that Form PF filers request hardship exemptions at the same rate and that the applications impose the same burden per filing, the SEC expects approximately 4 filers to request a temporary hardship exemption each year[61] for a total of 4 burden hours.[62]

(c) Monetized Total Hour Burden

The SEC continues to expect that the costs Form PF imposes will be most significant for the first report that a private fund adviser is required to file because the adviser will need to familiarize itself with the new reporting form and may need to configure its systems in order to efficiently gather the required information. The SEC also anticipates that the initial report will require more attention from senior personnel, including compliance managers and senior risk management specialists, than will subsequent reports. In addition, the SEC expects that some Large Private Fund Advisers will find it efficient to automate some portion of the reporting process, which will increase the burden of the initial filing but reduce the burden of subsequent filings.

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60 See Advisers Act rule 204(b)-1(f). The rule requires that the adviser complete and file Item A of Section 1a and Section 5 of Form PF, checking either box (box A or box B) next to "Request a temporary hardship exemption" in Section 1a of Form PF.

61 3,225 private fund advisers X 1 request per 1,000 advisers = approximately 4 advisers.

62 4 advisers X 1 hour per response = 4 hours.

The SEC anticipates that, after filing their initial reports, advisers will incur significantly lower costs because much of the work involved in the initial report is non-recurring and because of efficiencies realized from system configuration and reporting automation efforts accounted for in the initial reporting period. In addition, the SEC estimates that senior personnel will bear less of the reporting burden in subsequent reporting periods, reducing costs though not necessarily reducing the burden hours.

Based on the foregoing, the SEC estimates that the periodic filing requirements under Form PF (including configuring systems and compiling, automating, reviewing and electronically filing the report) will impose:[63]

(1) 40 burden hours at a cost of $13,460[64] per smaller private fund adviser for the initial annual report;

(2) 15 burden hours at a cost of $4,173.75[65] per smaller private fund adviser for each subsequent annual report;

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[63] Hourly wage figures were obtained 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; and from SIFMA's *Office Salaries in the Securities Industry 2013*, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

[64] We expect that for the initial report these activities will most likely be performed equally by a compliance manager at a cost of $312 per hour and a senior risk management specialist at a cost of $361 per hour and that, because of the limited scope of information required from smaller private fund advisers, these advisers generally would not realize significant benefits from or incur significant costs for system configuration or automation. ($312/hour X 0.5 + $361/hour X 0.5) X 40 hours = approximately $13,460.

[65] We expect that for subsequent reports senior personnel will bear less of the reporting burden. As a result, we estimate that these activities will most likely be performed equally by a compliance manager at a cost of $312 per hour, a senior compliance examiner at a cost of $239 per hour, a senior risk management specialist at a cost of $361 per hour, and a risk management specialist at a cost of $201 per hour. ($312/hour X 0.25 + $239/hour X 0.25 + $361/hour X 0.25 + $201/hour X 0.25) X 15 hours = approximately $4,173.75.

(3) 200 burden hours at a cost of $63,460[66] per large private equity adviser for the initial annual report;

(4) 100 burden hours at a cost of $27,825[67] per large private equity adviser for each subsequent annual report;

(5) 325 burden hours at a cost of $103,122.50[68] per large hedge fund adviser for the initial quarterly report;

(6) 150 burden hours at a cost of $41,737.50[69] per large hedge fund adviser for each subsequent quarterly report;

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[66] The SEC expects that for the initial report, of a total estimated burden of 200 hours, approximately 120 hours will most likely be performed by compliance professionals and 80 hours will most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, the SEC anticipates that it will be performed equally by a compliance manager at a cost of $312 per hour and a senior risk management specialist at a cost of $361 per hour. Of the work performed by programmers, the SEC anticipates that it will be performed equally by a senior programmer at a cost of $334 per hour and a programmer analyst at a cost of $243 per hour. ($312/hour X 0.5 + $361/hour X 0.5) X 120 hours + ($334/hour X 0.5 + $243/hour X 0.5) X 80 hours = approximately $63,460.

[67] The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, the SEC estimates that these activities will most likely be performed equally by a compliance manager at a cost of $312 per hour, a senior compliance examiner at a cost of $239 per hour, a senior risk management specialist at a cost of $361 per hour, and a risk management specialist at a cost of $201 per hour. ($312/hour X 0.25 + $239/hour X 0.25 + $361/hour X 0.25 + $201/hour X 0.25) X 100 hours = approximately $27,825.

[68] We expect that for the initial report, of a total estimated burden of 325 hours, approximately 195 hours will most likely be performed by compliance professionals and 130 hours will most likely be performed by programmers working on system configuration and reporting automation. Of the work performed by compliance professionals, we anticipate that it will be performed equally by a compliance manager at a cost of $312 per hour and a senior risk management specialist at a cost of $361 per hour. Of the work performed by programmers, we anticipate that it will be performed equally by a senior programmer at a cost of $334 per hour and a programmer analyst at a cost of $243 per hour. ($312/hour X 0.5 + $361/hour X 0.5) X 195 hours + ($334/hour X 0.5 + $243/hour X 0.5) X 130 hours = approximately $103,122.50.

[69] We expect that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, the SEC estimates that these activities will most likely be performed equally by a compliance manager at a cost of $312 per hour, a senior compliance examiner at a cost of $239 per hour, a senior risk management specialist at a cost of $361 per hour, and a risk management specialist at a cost of $201 per hour. ($312/hour X 0.25 + $239/hour X 0.25 + $361/hour X 0.25 + $201/hour X 0.25) X 150 hours = approximately $41,737.50.

(7) 200 burden hours at a cost of $63,460[70] per large liquidity fund adviser for the initial quarterly report;

(8) 105 burden hours at a cost of $29,216.25[71] per large liquidity fund adviser for each subsequent quarterly report.

70 The SEC expects that for the initial report, of a total estimated burden of 200 hours, approximately 120 hours will most likely be performed by compliance professionals and 80 hours will most likely be performed by programmers working on system configuration and reporting automation. (120 hours is approximately 60% of 200 hours, and 80 hours is approximately 40% of 200 hours. In our prior submission, the SEC expected that approximately 60% (85 hours of 140 hours) of burden hours would be performed by compliance professionals and approximately 40% (55% of 140 hours) of burden hours would be performed by programmers. Of the work performed by compliance professionals, the SEC anticipates that it will be performed equally by a compliance manager at a cost of $312 per hour and a senior risk management specialist at a cost of $361 per hour. Of the work performed by programmers, the SEC anticipates that it will be performed equally by a senior programmer at a cost of $334 per hour and a programmer analyst at a cost of $243 per hour. ($312/hour X 0.5 + $361/hour X 0.5) X 120 hours + ($334/hour X 0.5 + $243/hour X 0.5) X 80 hours = approximately $63,460.

71 The SEC expects that for subsequent reports senior personnel will bear less of the reporting burden and that significant system configuration and reporting automation costs will not be incurred. As a result, the SEC estimates that these activities will most likely be performed equally by a compliance manager at a cost of $312 per hour, a senior compliance examiner at a cost of $239 per hour, a senior risk management specialist at a cost of $361 per hour, and a risk management specialist at a cost of $201 per hour. ($312/hour X 0.25 + $239/hour X 0.25 + $361/hour X 0.25 + $201/hour X 0.25) X 105 hours = approximately $ 29,216.25.

As described above, based on the Private Funds Statistics, we estimated that as of 2019 Q4, there were 272 smaller private fund advisers making their first Form PF filing annually. We estimated there were 9 large private equity advisers making their first Form PF filing annually. We estimated there were 17 large hedge fund advisers making their first Form PF filing annually. We estimated there were 2 large liquidity fund advisers making their first form PF filing annually. With respect to these advisers making their initial Form PF filings, the SEC estimates an annual cost of $8,416,172.50[72] for the first year of reporting and an annual cost of $4,457,565[73] in subsequent years.

Also as described above, based on the Private Funds Statistics, as of 2019 Q4, there were 2,055 smaller private fund advisers making Form PF filings without making their first filings. There were 313 large private equity advisers making Form PF filings without making their first filings. There were 537 large hedge fund advisers making Form PF filings without making their first filings. There were 20 large liquidity fund advisers making Form PF filings without making their first filings. With respect to these advisers, the SEC estimates an annual cost of $109,275,731[74] for each year of reporting.

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72 (272 smaller private fund advisers X $13,460 per initial annual report) + (9 large private equity advisers X $63,460 per initial annual report) + (17 large hedge fund advisers X $103,122.50 per initial quarterly report) + (17 large hedge fund advisers X 3 quarterly reports X $41,737.50 per subsequent quarterly report) + (2 large liquidity fund advisers X $63,460 per initial quarterly report) + (2 large liquidity fund advisers X 3 quarterly reports X $29,216.25 per subsequent quarterly report) = approximately $8,416,172.50.

73 (272 smaller private fund advisers X $4,173.75 per subsequent annual report) + (9 large private equity advisers X $27,825 per subsequent annual report) + (17 large hedge fund advisers X 4 quarterly reports X $41,737.50 per subsequent quarterly report) + (2 large liquidity fund advisers X 4 quarterly reports X $29,216.25 per subsequent quarterly report) = approximately $4,457,565.

74 (2,055 smaller private fund advisers X $4,173.75 per subsequent annual report) + (313 large private equity advisers X $27,825 per subsequent annual report) + (537 large hedge fund advisers X 4 quarterly reports X $41,737.50 per subsequent quarterly reports) + (20 large liquidity fund advisers X 4 quarterly reports X $29,216.25 per subsequent quarterly report) = approximately $109,275,731.

The cost estimates above assume that risk and compliance personnel (and, in the case of Large Private Fund Advisers filing an initial report, programmers) will carry out the work of reporting on Form PF.

In addition, as discussed above, a private fund adviser must file very limited information on Form PF if it needs to transition from quarterly to annual filing, if it is no longer subject to the reporting requirements of Form PF or if it requires a temporary hardship exemption under rule 204(b)-1(f). The SEC estimates that transition and final filings will, collectively, cost private fund advisers as a whole approximately $1,757.25 per year.[75] The SEC further estimates that hardship exemption requests will cost private fund advisers as a whole approximately $874.50 per year.[76]

(d) Aggregate Hour Burden Estimates

Based on the foregoing, the SEC estimates that Form PF will result in an aggregate of 409,768.75 burden hours per year for all private fund advisers for each of the first three years, or 127.06 burden hours per year on average for each private fund adviser over the same period.[77]

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75 The SEC estimates, for purposes of the PRA, that transition filings will impose 11.25 burden hours per year on private fund advisers in the aggregate and that final filings will impose 13.5 burden hours per year on private fund advisers in the aggregate. The SEC anticipates that this work will most likely be performed by a compliance clerk at a cost of $71 per hour. (11.25 burden hours + 13.5 burden hours) X $71/hour = approximately $1,757.25.

76 The SEC estimates, for purposes of the PRA, that requests for temporary hardship exemptions will impose 4 burden hours per year on private fund advisers in the aggregate. The SEC anticipates that five-eighths of this work will most likely be performed by a compliance manager at a cost of $312 per hour and that three-eighths of this work will most likely be performed by a general clerk at a cost of $63 per hour. (($312 per hour X 5/8 of an hour) + ($63 per hour X 3/8 of an hour)) X 4 hours = approximately $874.50.

77 37,081 hours for periodic filings by smaller advisers + 333,386 hours for periodic filings by large hedge fund advisers + 6,776 hours for periodic filings by large liquidity fund advisers + 32,497 hours for periodic filings by large private equity advisers + 11.25 hours per year for transition filings + 13.5 hours per year for final filings + 4 hours per year for temporary hardship requests = approximately 409,768.75 burden hours. 409,768.75 hours per year ÷ 3,225 total advisers required to file = approximately 127.06 hours per year on average.

	Annual No. of Responses			Annual Time Burden (Hrs.)			Burden Cost ($)		
Rule 204(b)-1 Form PF	Previously approved	Requested	Change	Previously Approved	Requested	Change	Previously approved[78]	Requested[79]	Change
Annual Reporting	4,025	5,056	1,031	427,394	409,768.75	-17,625.25	$118,894,846	$122,152,100.25	3,257,254.25

13. Cost to Respondents

In addition to the hour burdens identified above, advisers subject to the Form PF reporting requirements will incur other external costs. The currently approved annual cost burden to comply with the collection of information requirement of rule 204(b)-1 and Form PF is $3,532,550.

This approved cost burden included estimates for filing fees for the Form PF filing system; those fees, which were established by the SEC in a separate order, currently equal $150 per annual filing and $150 per quarterly filing.[80] Accordingly, the SEC estimates that advisers will bear aggregate filing fees of approximately $742,950 per year.[81]

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78 The SEC estimated that advisers making their initial Form PF filing would incur costs of $7,640,640 in their first year of reporting, and $4,273,498.50 in subsequent years; $7,640,640 + $4,273,498.50 = $11,914,138.50. The SEC estimated that existing advisers would incur costs of $106,978,232.50. The SEC estimated that advisers making transitional and final filings would incur costs of $1,452. The SEC estimated that advisers making hardship filings would incur costs of $1,023. $11,914,138.50 + $106,978,232.50 + $1,452 + $1,023 = $118,894,846.

79 The SEC estimates that advisers making their initial Form PF filing will incur costs of $8,416,172.50 in their first year of reporting, and $4,457,565 in subsequent years. $8,416,172.50 + $4,457,565 = $12,873,737.50. The SEC estimates that existing advisers will incur costs of $109,275,731. The SEC estimates that advisers making transitional and final filings will incur costs of $1,757.25. The SEC estimates that advisers making hardship filings will incur costs of $874.50. $12,873,737.50 + $109,275,731 + $1,757.25 + $874.50 = $122,152,100.25.

80 *See* section II.E of the Adopting Release.

81 We have not modified our estimate as to the cost of the filing fees, which has remained unchanged since our prior Paperwork Reduction Act submission. The current estimate has been modified from prior

Advisers subject to the Form PF reporting requirements will incur external costs besides filing fees. As the Staff explained in prior Paperwork Reduction Act submissions for rule 204(b)-1, in connection with the first year of Form PF reporting, many advisers must modify existing systems or deploy new systems to support Form PF reporting and advisers may incur costs associated with the acquisition or use of hardware needed to perform computations or otherwise process data required on Form PF. In the Staff's prior Paperwork Reduction Act submissions for rule 204(b)-1, the Staff estimated that the external cost burden would range from \$0 to \$50,000 per adviser. This range of costs reflected the fact that the cost to any adviser might depend on how many funds or the types of funds it manages, the state of its existing systems and the complexity of its business, the frequency of Form PF filings, and the deadlines for their completion and amount of information required. The Staff estimated that smaller private fund advisers would be unlikely to bear those costs because the information they are required to provide is limited and will, in many cases, already be maintained in the ordinary course of business.

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estimates to account for the current estimate of the number of advisers and the number of filings to be made by such advisers ((2,327 smaller private fund advisers + 322 large private equity advisers) X \$150 per annual filing) + ((554 large hedge fund advisers + 22 large liquidity fund advisers) X \$150 per quarterly filing X 4 quarterly filings per year) = \$742,950 per year.

We estimate that the same range of costs will continue to apply among both initial and current advisers filing Form PF, and so we are not modifying the existing estimate as to the range of external cost to be borne by each adviser. Most filers of Form PF have already made their first filing and completed their first year of reporting, and so we estimate that the external costs applicable to those filers will no longer reflect the incremental start-up costs and there will be no annual or ongoing external costs. Accordingly, the SEC estimates that Large Private Fund Advisers required to make their initial Form PF filing will bear external costs (other than filing fees) of approximately $1,400,000.[82] The SEC estimates that, together with the estimated aggregate filing fees described above, the aggregate external cost burden over the next three-year period will be approximately $3,628,850.[83]

14. Cost to the Federal Government

There are no costs to the government directly attributable to Form PF.

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82 This estimate is based on the following calculation: (17 large hedge fund advisers making their first Form PF filing + 2 large liquidity fund advisers making their first Form PF filing + 9 large private equity advisers making their first Form PF filing = 28) X $50,000 = $1,400,000.

83 This estimate is based on the following calculation: ($742,950 X 3 years) = $2,228,850 + $1,400,000 = $3,628,850.

15. Change in Burden

The total annual hour burden of 409,768.75 hours represents a decrease of 17,625.25 hours from the previous approved burden hour estimate of 427,394 hours. The total annual burden cost of $122,152,100.25 represents an increase of $3,257,254.25 over the previous approved burden cost of $118,894,846. The annual external cost burden of $3,628,850 represents an increase of $96,300 over the previous annual external cost burden estimate of $3,532,550. The changes in burden hours and external cost burdens are due to the estimated change in the number of advisers filing Form PF, whether as an initial filing or subsequent filing, and the estimated change in the wages paid.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of Form PF, although the OMB control number will be displayed. Including the expiration date on the electronic version of this form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.