

SUPPORTING STATEMENT  
FOR THE PAPERWORK REDUCTION ACT INFORMATION COLLECTION  
SUBMISSION FOR CREDIT RISK RETENTION - REGULATION RR

A. JUSTIFICATION

Circumstances Making the Collection of Information Necessary

The Commission adopted Credit Risk Retention (Regulation RR) recordkeeping and disclosure requirements to implement section 15G of the Securities and Exchange Act of 1934 (Exchange Act), as added by section 941(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

The generally requires a securitizer of any asset-backed security (ABS) to retain an economic interest equal to not less than five percent of the credit risk of the assets that the securitizer, through the issuance of ABS interests, transfers, sells, or conveys to a third party. The final rule specifies the permissible types, forms, and amounts of credit risk retention, and establishes certain exemptions for securitizations collateralized by assets that meet specified underwriting standards or that otherwise qualify for an exemption.

The information collection pursuant to Regulation RR is triggered by specific events. There are no required reporting forms associated with Regulation RR.

2. Purpose and Use of the Information Collection

The purpose of Regulation RR is to implement section 15G of the Exchange Act, as added by section 941(b) of the Dodd-Frank Act. Section 15G generally requires the securitizer of ABS to retain not less than five percent of the credit risk of the assets collateralizing the ABS. Section 15G includes a variety of exemptions from these requirements.

The disclosure requirements are an integral part of and specifically tailored to each of the permissible forms of risk retention. The disclosure requirements provide investors with material information concerning the sponsor's retained interests in a securitization transaction, such as the amount and form of interest retained by sponsors, and the methodologies and assumptions used by sponsors to calculate the amount of their risk retention. Further, the disclosures would provide investors and the Commission with an efficient mechanism to monitor compliance with the risk retention requirements of the final rule.

3. Consideration Given to Information Technology

Regulation RR requirement are not filed electronically using the Commission's Electronic Data Gathering and Retrieval (EDGAR) system.

4. Duplication of Information

We are not aware of any rules that conflict with or substantially duplicate Regulation RR.

5. Reducing the Burden on Small Entities

The final rule implements the risk retention requirements of section 15G of the Exchange Act, which, in general, requires the securitizer of ABS to retain not less than five percent of the credit risk of the assets collateralizing the ABS. The risk retention requirements would apply to “sponsors,” but based on our data we did not find a significant number of sponsors that are small entities. As such, the Commission does not believe that the risk retention requirements would have a significant economic impact on a substantial number of small entities.

6. Consequences of Not Conducting Collection

The disclosure requirements provide investors with material information concerning the sponsor’s retained interests in a securitization transaction, as well as provide investors and the Commission with an efficient mechanism to monitor compliance with the risk retention requirements of the final rule. Less frequent collection would frustrate the statutory intent of section 15G of the Exchange Act because investors in ABS would have less information on which to base an investment decision.

7. Special Circumstances

There are no special circumstances.

8. Consultations Outside the Agency

No comments were received on this request during the 60-day comment period prior to OMB’s review.

9. Payment or Gift to Respondents

No payment or gift has been provided to any respondents.

10. Confidentiality

Regulation Risk Retention (“Regulation RR”) is a public document.

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.

### 12/13. Estimate of Hours and Cost Burdens

The estimated total annual burden for the recordkeeping and disclosure requirements of this information collection by the Commission is 17,774 hours, as shown in the table below. The table provides the estimated annual burden for the 181 sponsors and 854 offerings per year assigned to the Commission to which Regulation RR applies.

To determine the total paperwork burden for the requirements contained in this proposed rule, the Federal banking agencies and the Commission (Agencies) first estimated the universe of sponsors that would be required to comply with the proposed disclosure and recordkeeping requirements. The Agencies estimate that approximately 270 unique sponsors conduct ABS offerings per year. This estimate was based on the average number of ABS offerings from 2004 through 2013 reported by the ABS database Asset-Backed Alert for all non-CMBS transactions and by Commercial Mortgage Alert for all CMBS transactions. Of the 270 sponsors, 67 percent (181) of these sponsors were assigned to the Commission.

Next, the Federal banking agencies and the Commission estimated the burden per response that would be associated with each disclosure and recordkeeping requirement, and then estimated how frequently the entities would make the required disclosure by estimating the proportionate amount of offerings per year for each Agency. In making this determination, the estimate was based on the average number of ABS offerings from 2004 through 2013 (1,275 total annual offerings per year). The following additional estimates were made:

- 12 offerings per year would be subject to disclosure and recordkeeping requirements under §\_\_.11, which are divided equally among the four Agencies (i.e., 3 offerings per year per Agency);
- 100 offerings per year would be subject to disclosure and recordkeeping requirements under §§\_\_.13 and \_\_.19(g), which are divided proportionately among the four Agencies based on the entity percentages described above (i.e., 8 offerings per year for the Board; 12 offerings per year for the FDIC; 13 offerings per year for the OCC; and 67 offerings per year for the Commission); and
- 120 offerings per year would be subject to disclosure requirements under §\_\_.15, which are divided proportionately among the four Agencies based on the entity percentages described above (i.e., 10 offerings per year subject to §\_\_.15 for the Board, 14 offerings per year subject to §\_\_.15 for the FDIC; 16 offerings per year subject to §\_\_.15 for the OCC, and 80 offerings per year subject to §\_\_.15 for the Commission). Of these 120 offerings per year, 40 offerings per year would be subject to disclosure and recordkeeping requirements under §§\_\_.16, \_\_.17, and \_\_.18, respectively, which are divided proportionately among the four Agencies based on the entity percentages described above (i.e., 3 offerings per year subject to each section for the Board, 5 offerings per year subject to each section for the FDIC; 5 offerings per year subject to each section for the OCC, and 27 offerings per year subject to each section for the Commission).

To obtain the estimated number of responses (equal to the number of offerings) for each option in Subpart B of the proposed rule, the Agencies multiplied the number of offerings estimated to be subject to the base risk retention requirements (i.e., 1,055) by the sponsor

percentages described above. The result was the number of base risk retention offerings per year per Agency. For the Commission, this was calculated by multiplying 1,055 offerings per year by 67 percent, which equals 707 offerings per year. This number was then divided by the number of base risk retention options under Subpart B of the proposed rule (i.e., nine) to arrive at the estimate of the number of offerings per year per Agency per base risk retention option. For the Commission, this was calculated by dividing 707 offerings per year by nine options, resulting in 79 offerings per year per base risk retention option.

The total estimated annual burden for each Agency was then calculated by multiplying the number of offerings per year per section for such Agency by the number of burden hours estimated for the respective section, then adding these subtotals together. For example, under §\_\_.10, the Commission multiplied the estimated number of offerings per year for §\_\_.10 (i.e., 79 offerings per year) by the estimated annual frequency of the response for §\_\_.10 of one response, and then by the disclosure burden hour estimate for §\_\_.10 of 6.0 hours. Thus, the estimated annual burden hours for respondents to which the Commission accounts for the burden hours under §\_\_.10 is 474 hours ( $79 * 1 * 6.0 \text{ hours} = 474 \text{ hours}$ ). For administrative convenience, the presentation of the totals related to the paperwork burden hours have been rounded to the nearest whole number. The estimated burden hours are made solely for the purpose of the Paperwork Reduction Act.

- a) Detailed table of proposed changes to annual burden compliance in Collection of Information.

	<i>Estimated number of offerings</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>§__B.4, Standard Risk Retention</b>				
<b>Horizontal Interest</b>				
Recordkeeping	79	1	0.5	40
Disclosures	79	1	5.5	435
<b>Vertical Interest</b>				
Recordkeeping	79	1	0.5	40
Disclosures	79	1	2.0	158
<b>Combined Horizontal and Vertical Interests</b>				
Recordkeeping	79	1	0.5	40
Disclosures	79	1	7.5	593
<b>§__B.5, Revolving Master Trusts</b>				
Recordkeeping	79	1	0.5	40
Disclosures	79	1	7.0	553
<b>§__B.6, Eligible ABCP Conduits</b>				
Recordkeeping	79	1	20.0	1,580
Disclosures	79	1	3.0	237
<b>§__B.7, Commercial MBS</b>				
Recordkeeping	79	1	30.0	2,370
Disclosures	79	1	20.75	1,639

§__B.8, FNMA and FHLMC				
Disclosures	79	1	1.5	119
§__B.9, Open Market CLOs				
Disclosures	79	1	20.25	1,600
§__B.10, Qualified Tender Option Bonds				
Disclosures	79	1	6.0	474
§__C.11, Allocation of Risk Retention to an Originator				
Recordkeeping	3	1	20.0	60
Disclosures	3	1	2.5	8
§§__D.13 and __.19(g), Exemption for Qualified Residential Mortgages and Qualifying 3-to-4 Unit Residential Mortgage Loans				
Recordkeeping	67	1	40.0	2,680
Disclosures	67	1	1.25	84
§__D.15, Exemptions for Qualifying Commercial Loans, Commercial Real Estate Loans, and Automobile Loans				
Recordkeeping	80	1	0.5	40
Disclosures	80	1	20.0	1,600
§__D.16, Underwriting Standards for Qualifying Commercial Loans				
Recordkeeping	27	1	40.5	1,094
Disclosures	27	1	1.25	34
§__D.17, Underwriting Standards for Qualifying CRE Loans				
Recordkeeping	27	1	40.5	1,094
Disclosures	27	1	1.25	34
§__D.18, Underwriting Standards for Qualifying Automobile Loans				
Recordkeeping	27	1	40.5	1,094
Disclosures	27	1	1.25	34
<i>Total</i>				17,774

For disclosures made at the time of the securitization transaction, the Commission allocates 25 percent of these hours (1,773 hours) to internal burden for all sponsors. For the remaining 75 percent of these hours, (5,319 hours), the Commission uses an estimate of \$400 per hour for external costs for retaining outside professionals totaling \$2,127,750. For disclosures

made after the time of sale in a securitization transaction, the Commission allocated 75 percent of the total estimated burden hours (1,565 hours) to internal burden for all sponsors. For the remaining 25 percent of these hours (522 hours), the Commission uses an estimate of \$400 per hour for external costs for retaining outside professionals totaling \$208,650.

We estimate the new Regulation RR will result in a total annual estimated cost burden of \$2,336,400 in professional costs. For administrative convenience, the presentation of the totals related to the paperwork cost totals have been rounded to the nearest dollar. The estimated cost burdens are made solely for the purpose of the Paperwork Reduction Act.

b) Detailed table of proposed changes to annual cost burden in Collection of Information.

	<i>Estimate d annual burden hours</i>	<i>Burden hours for disclosures at the time of transaction</i>	<i>Cost burden for disclosures at the time of transaction</i>	<i>Burden hours for disclosures after the time of sale</i>	<i>Cost burden for disclosures after the time of sale</i>	<i>Total cost burden</i>
§__B.4, Standard Risk Retention Horizontal Interest Disclosures	434.5	316	\$94,800	118.5	\$11,850	\$106,650
Vertical Interest Disclosures	158	118.5	\$35,550	39.5	\$3,950	\$39,500
Combined Horizontal and Vertical Interests Disclosures	592.5	592.5	\$177,750			\$177,750
§__B.5, Revolving Master Trusts Disclosures	553	513.5	\$154,050	39.5	\$3,950	\$158,000
§__B.6, Eligible ABCP Conduits Disclosures	237	158	\$47,400	79	\$7,900	\$55,300
§__B.7, Commercial MBS Disclosures	1639.25	1560.25	\$468,075	79	\$7,900	\$475,975

§__B.8, FNMA and FHLMC Disclosures	118.5	118.5	\$35,550			\$35,550
§__B.9, Open Market CLOs Disclosures	1599.75	1599.75	\$479,925	1580	\$158,000	\$637,925
§__B.10, Qualified Tender Option Bonds Disclosures	474	474	\$142,200			\$142,200
§__C.11, Allocation of Risk Retention to an Originator Disclosures	7.5	4.5	\$1,350	3	\$300	\$1,650
§§__D.13 and __.19(g), Exemption for Qualified Residential Mortgages and Qualifying 3- to-4 Unit Residential Mortgage Loans Disclosures	83.75	16.75	\$5,025	67	\$6,700	\$11,725
§__D.15, Exemptions for Qualifying Commercial Loans, Commercial Real Estate Loans, and Automobile Loans Disclosures	1600	1600	\$480,000			\$480,000
§__D.16, Underwriting Standards for Qualifying						

Commercial Loans Disclosures	33.75	6.75	\$2,025	27	\$2,700	\$4,725
§__D.17, Underwriting Standards for Qualifying CRE Loans Disclosures	33.75	6.75	\$2,025	27	\$2,700	\$4,725
§__D.18, Underwriting Standards for Qualifying Automobile Loans Disclosures	33.75	6.75	\$2,025	27	\$2,700	\$4,725
<i>Total</i>			\$2,127,750		\$208,650	\$2,336,400

14. Costs to Federal Government

The annual cost of reviewing and processing disclosure documents, including registration statements, post-effective amendments, proxy statements, annual reports and other filings of operating companies amounted to approximately \$103,479,690 in fiscal year 2019, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Reason for Change in Burden

There is no change in burden.

16. Information Collection Planned for Statistical Purposes

The information collection is not planned for statistical purposes.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to certification for Paperwork Reduction Act submissions.



B. STATISTICAL METHODS

The information collection does not employ statistical methods.