

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Amendments to Form ADV under the Investment Advisers Act of 1940**

**A. JUSTIFICATION**

**1. Necessity for the Information Collection**

Form ADV is a three-part investment adviser form. Part 1 of Form ADV contains information used primarily by the Securities and Exchange Commission (“Commission”) staff, and Part 2 is the client brochure. Part 3 requires registered investment advisers that offer services to retail investors to prepare and file with the Commission, post to the adviser’s website (if it has one), and deliver to retail investors a relationship summary.

The Commission uses the information in Form ADV to determine eligibility for registration with us and to manage our regulatory and examination programs. Clients use the information required in Form ADV to determine whether to hire or retain an investment adviser, as well as what types of accounts and services are appropriate for their needs. Rule 203-1<sup>1</sup> under the Investment Advisers Act of 1940 (“Advisers Act”)<sup>2</sup> requires every person applying for investment adviser registration with the Commission to file Form ADV.<sup>3</sup> Rule 204-4<sup>4</sup> under the Advisers Act requires certain investment advisers exempt from registration with the Commission (“exempt reporting advisers”) to file reports with the Commission by completing a limited number of items on Form ADV. Rule 204-1<sup>5</sup> under the Advisers Act requires

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<sup>1</sup> 17 CFR 275.203-1.

<sup>2</sup> 15 U.S.C 80b-4.

<sup>3</sup> 17 CFR 279.1.

<sup>4</sup> 17 CFR 275.204-4.

<sup>5</sup> 17 CFR 275.204-1.

any adviser that is required to complete Form ADV to update the form at least annually, including exempt reporting advisers that report to the Commission pursuant to rule 204-4 and requires advisers to submit electronic filings through the Investment Adviser Registration Depository (“IARD”). The paperwork burdens associated with rules 203-1, 204-1, and 204-4, as well as the obligation to deliver codes of ethics to clients under rule 204A-1, are included in the approved annual burden associated with Form ADV and thus do not entail a separate collection of information.

On May 25, 2022, the Commission proposed rules related to disclosures for environmental, social, and governance (“ESG”) practices for registered investment advisers, advisers exempt from registration, registered investment companies, and business development companies under the Advisers Act and the Investment Company Act of 1940.<sup>6</sup> The Commission proposed amendments to Form ADV to provide clients and prospective clients with useful and comparable information to help them better evaluate the ESG-related services of the advisers that offer them and the variety of ways advisers currently approach ESG investing. Specifically, the proposed amendments would add new sub-Item 8(D) to Form ADV’s narrative brochure, or Part 2A to provide a description of the ESG factor or factors it considers for each significant investment strategy or method of analysis for which the adviser considers any ESG factors. Advisers would also be required to describe any

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<sup>6</sup> Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, Investment Advisers Act Release No. 6034 (May 25, 2022) available at <https://www.sec.gov/rules/proposed/2022/ia-6034.pdf> (“ESG Proposal”).

relationship or arrangement that is material to the adviser’s advisory business or to its clients, that the adviser or any of its management persons have with any related person that is an ESG consultant or other ESG service provider. The proposed amendments would also require advisers to that have specific voting policies or procedures that have one or more ESG considerations when voting client securities to include in their brochures a description of which ESG factors they consider and how they consider them in proxies. Similar to the additions in Part 2A, the proposed amendments would also amend the Wrap Fee Brochure, or ADV Part 2A, Appendix 1, to help current and prospective wrap fee clients understand better how wrap fee programs consider ESG factors. Lastly, the proposal would amend ADV Part 1A to expand the information collected about the ESG advisory services provided to separately managed account clients and private funds while providing additional information about other business activities and financial industry affiliations for related person ESG providers. Overall, these amendments are designed to provide clients and prospective clients with information regarding ESG investment processes that could materially affect the advisory relationship.

We did not propose amendments to Form ADV Part 3.

Form ADV contains “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995.<sup>7</sup> The amendments to Form ADV related to the cybersecurity risk management rules contain collections of information. The collection of information is necessary to improve information available to us and to the general public about advisers’ cybersecurity risks and

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<sup>7</sup> 44 U.S.C. 3501 to 3520.

incidents. This information would be particularly useful for Commission staff in reviewing an adviser's compliance with the proposed rulemakings and rule amendments. Our staff will also use this information to help prepare for examinations of investment advisers. Responses are not kept confidential.

The title of this collection of information is: "Form ADV under the Investment Advisers Act of 1940" and the Commission previously submitted this collection to the Office of Management and Budget ("OMB") for review in accordance with 44 U.S.C. 3507(d) and 5 CFR 1320.11. OMB approved, and subsequently extended, this collection under control number 3235-0049 (expiring on: October 31, 2024). 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 control number. The paperwork burdens associated with rules 203-1, 204-1, 204A-1, and 204-4 are included in the approved annual burden associated with Form ADV and thus do not entail separate collections of information. These collections of information are found at 17 CFR 275.203-1, 275.204- 1, 275.204-4, 275.204A-1, and 279.1 (Form ADV itself) and are mandatory.

The respondents are investment advisers registered with the Commission or applying for registration with the Commission or exempt reporting advisers.

## **2. Purpose and Use of the Information Collection**

The purpose of Form ADV is to provide advisory clients, prospective clients, and the Commission with information about an adviser, and its business, conflicts of interest and personnel. We use the information to determine eligibility for registration with us and to manage our regulatory, examination, and enforcement

programs. The information filed with the Commission permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is also for the use and benefit of clients and prospective clients. Clients and prospective clients use certain of the information to determine whether to hire an adviser and, if hired, how to manage that relationship.

This collection of information is found at 17 CFR 275.203-1, 275.204-1, 275.204-4, 275.204A-1, and 275.279.1, and it is mandatory. Responses are not kept confidential. The majority of the respondents to the Form ADV collection of information are investment advisers registered with the Commission or applying for registration with the Commission while the additional respondents to the Form ADV collection of information are exempt reporting advisers. The information collected takes the form of disclosures to respondents' clients, potential clients, and the Commission.

### **3. Consideration Given to Information Technology**

The information collected pursuant to Form ADV takes the form of disclosures made by investment advisers to their clients and potential clients and reporting to the Commission. Investment advisers currently file their Form ADV electronically on the IARD system. This method of collecting information reduces the regulatory burden upon investment advisers by permitting them to file applications for registration, and amendments thereto, at one central location, rather than filing Form ADV separately with the Commission and the states for notice filing purposes.

Exempt reporting advisers are subject to reporting, but not registration requirements and must submit their reports through the IARD using the same process as registered investment advisers. Because exempt reporting advisers may be required to register on Form ADV with one or more state securities authorities, use of the existing form and filing system permits these advisers to satisfy both state and Commission requirements with a single electronic filing. Our approach permits an adviser to transition from filing reports with us to applying for registration under the Act by simply amending its Form ADV; the adviser would check the box to indicate it is filing an initial application for registration, complete the items it did not have to answer as an exempt reporting adviser, and update the pre-populated items that it already has on file.

#### **4. Duplication**

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

## **5. Effect on Small Entities**

The requirements of Form ADV, including the amendments, are the same for all investment advisers registered with the Commission, and they are the same for all exempt reporting advisers, including (in both cases) those advisers that are small entities. Investment advisers with less than \$100 million in assets under management generally are not permitted to register with the Commission and must register with state securities authorities. Because the protections of the Advisers Act are intended to apply equally to retail investor clients of both large and small firms, it would be inconsistent with the purposes of the Advisers Act to specify differences for small entities under the new requirements. The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act, to identify methods to minimize recordkeeping or reporting requirements affecting small businesses.

## **6. Consequences of Not Conducting Collection**

The collection of information required by the form is necessary to protect investors by providing clients and potential clients, as well as the Commission, with information about the adviser, and its business, conflicts of interest and personnel. The consequences of not collecting this information would be that clients and prospective clients may not have the information they need in order to evaluate the adviser's business practices and to determine whether to hire an adviser and, if hired, how to manage that relationship. In addition, if the information is either not collected or is collected less frequently, the Commission's ability to protect investors would be reduced.

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

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

**8. Consultation Outside the Agency**

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment adviser industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. In addition, the Commission has requested public comment on the proposed amendments to Form ADV, including the collection of information requirements resulting from the proposed amendments. Before adopting these amendments, the Commission will receive and evaluate public comments on the proposed amendments and their associated collection of information requirements.

**9. Payment or Gift**

No payment or gift to respondents was provided.

**10. Confidentiality**

The assurance of information collected pursuant to Form ADV is through filings with the Commission. These disclosures are not 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.

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.

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.<sup>8</sup> 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. Estimate of Hour and Cost Burden of Information Collection**

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995<sup>9</sup> and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms.

The respondents to current Form ADV are investment advisers registered with the Commission or applying for registration with the Commission and exempt reporting advisers.<sup>10</sup> Based on the IARD system data as of December 31, 2020, approximately 13,812 investment advisers were registered with the Commission, and 4,791 exempt reporting advisers file reports with the Commission. The amendments we are proposing would increase the information requested in in Part 1A and Part 2A of Form ADV for registered investment advisers. Exempt reporting advisers would be required to provide the new information requested in the Part 1A items

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<sup>8</sup> See 15 U.S.C. §§ 80b-3 and 80b-4.

<sup>9</sup> 44 U.S.C. 3501 et seq.

<sup>10</sup> An exempt reporting adviser is an investment adviser that relies on the exemption from investment adviser registration provided in either section 203(l) of the Advisers Act because it is an adviser solely to one or more venture capital funds or section 203(m) of the Advisers Act because it is an adviser solely to private funds and has assets under management in the United States of less than \$150 million.

that Form ADV requires exempt reporting advisers to complete. Because exempt reporting advisers are not required to complete Form ADV Part 2A, they would not be subject to the proposed amendments to Form ADV Part 2A and would therefore not be subject to the additional collection of information required by those amendments.<sup>11</sup> However, these exempt reporting advisers are included in the PRA for purposes of updating the overall Form ADV information collection. In addition, the burdens associated with completing Part 3 are included in the PRA for purposes of updating the overall Form ADV information collection.<sup>12</sup> Based on the prior revision of Form ADV, we estimated the annual compliance burden to comply with the collection of information requirement of Form ADV is 433,004 burden hours and an external cost burden estimate of \$14,125,083.<sup>13</sup>

We propose the following changes to our PRA methodology for Form ADV:

- *Form ADV Parts 1 and 2.* Form ADV PRA has historically calculated a per adviser per year hourly burden for Form ADV Parts 1 and 2 for each of (1) the initial burden and (2) the ongoing burden, which reflects advisers' filings of annual and other-than-annual updating amendments. We noted in previous PRA amendments that most of the paperwork burden for Form ADV Parts 1 and 2 would be incurred in the initial submissions of Form ADV. However, recent PRA

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<sup>11</sup> An exempt reporting adviser is not a registered investment adviser and therefore would not be subject to the proposed amendments to Item 5 of Form ADV Part 1A. Exempt reporting advisers are required to complete a limited number of items in Part 1A of Form ADV (consisting of Items 1, 2.B., 3, 6, 7, 10, 11, and corresponding schedules), and are not required to complete Part 2.

<sup>12</sup> See Updated Supporting Statement for PRA Submission for Amendments to Form ADV under the Investment Advisers Act of 1940 ("Approved Form ADV PRA").

<sup>13</sup> See Investment Adviser Marketing, Final Rule, Investment Advisers Act Release No. 5653 (Dec. 22, 2020) [81 FR 60418 (Mar. 5, 2021)] and corresponding submission to the Office of Information and Regulatory Affairs at [reginfo.gov](http://reginfo.gov) ("2021 Form ADV PRA").

amendments have continued to apply the total initial hourly burden for Parts 1 and 2 to all currently registered or reporting RIAs and ERAs, respectively, in addition to the estimated number of new advisers expected to be registering or reporting with the Commission annually. We believe that the total initial hourly burden for Form ADV Parts 1 and 2 going forward should be applied only to the estimated number of expected new advisers annually. This is because currently registered or reporting advisers have generally already incurred the total initial burden for filing Form ADV for the first time. On the other hand, the estimated expected new advisers will incur the full total burden of initial filing of Form ADV, and we believe it is appropriate to apply this total initial burden to these advisers. We propose to continue to apply any new initial burdens resulting from proposed amendments to Form ADV Part 2, as applicable, to all currently registered or reporting investment advisers plus all estimated expected new RIAs and ERAs annually.

The table below summarizes our PRA initial and ongoing burden estimates associated with the proposed amendments to Form ADV. The proposed new burdens take into account changes in the numbers of advisers since the last approved PRA for Form ADV, and the increased wage rates due to inflation.

Table 1: Form ADV PRA Estimates

	Initial hours per year	Internal annual amendment burden hours <sup>4</sup>	Wage rate <sup>2</sup>	Internal time costs	Annual external cost burden <sup>3</sup>
<b>PROPOSED AMENDMENTS TO FORM ADV</b>					
<b>RIAs (burden for Parts 1 and 2, not including private fund reporting)<sup>4</sup></b>					
Proposed additions (per adviser) to Part 1A Items 5, 6, and 7, and corresponding schedules; Proposed additions to Part 2 brochure and wrap fee program brochure	0.3 hours for Part 1A, other than private fund reporting + 0.8 hours <sup>5</sup> for Part 2 = 1.1 hours	0.4 hours <sup>6</sup>	\$279.50 per hour (blended rate for senior compliance examiner and compliance manager) <sup>7</sup>	1.5 hours x \$279.50 per hour = \$419.25	1 hour of external legal services (\$496) for ¼ of advisers that prepare Part 2; 1 hour of external compliance consulting services (\$739) for ½ of advisers that prepare Part 2 <sup>8</sup>
Current burden per adviser <sup>9</sup>	29.72 hours <sup>10</sup>	11.8 hours <sup>11</sup>	\$273 per hour (blended rate for senior compliance examiner and compliance manager)	(29.72 + 11.8) x \$273 = \$11,334.96	\$2,069,250 aggregated (previously presented only in the aggregate) <sup>12</sup>
Revised burden per adviser	29.72 hours + 1.1 hours = 30.82 hours	0.4 hours + 11.8 hours = 12.2 hours	\$279.50 (blended rate for senior compliance examiner and compliance manager)	(30.82 + 12.2) x \$279.5 = \$12,024.09	\$4,689.50 <sup>13</sup>
<b>Total revised aggregate burden estimate</b>	27,921.86 <sup>14</sup>	173,545 hours <sup>15</sup>	Same as above	(27,921.86 + 173,545) x \$279.5 = \$56,309,987.37	\$8,752,986 <sup>16</sup>
<b>RIAs (burden for Part 3)<sup>17</sup></b>					
<b>No proposed changes</b>	--	--	--	--	--
Current burden per RIA	20 hours, amortized over three years = 6.67 hours <sup>18</sup>	1.58 hours <sup>19</sup>	\$273 (blended rate for senior compliance examiner and compliance manager)	\$273 x (6.67 + 1.71) = \$2,287.74	\$2,433.74 per adviser <sup>20</sup>
<b>Total updated aggregate burden estimate</b>	64,755.39 hours <sup>21</sup>	14,189.98 hours <sup>22</sup>	Same as above	\$22,065,230.92 (((\$279.50 x (64,755.39 hours + 14,189.98 hours))	\$7,985,652.5 <sup>23</sup>
<b>ERAs (burden for Part 1A, not including private fund reporting)<sup>24</sup></b>					
Proposed additions (per adviser) to Part 1A Items 5, 6, and 7, and corresponding schedules	0.3 hours	N/A – would be included in the existing ongoing reporting burden for ERAs	\$279.50 (blended rate for senior compliance examiner and compliance manager)	Wage rate x total hours (see below)	\$0
Current burden per ERA	3.60 hours <sup>25</sup>	1.5 hours + final filings <sup>26</sup>	\$273 (blended rate for senior compliance examiner and compliance manager)		\$0

Revised burden per ERA	3.9 hours (0.3 hours + 3.6 hours)	1.5 hours + final filings (same as above)	\$279.50 (blended rate for senior compliance examiner and compliance manager)		\$0
<b>Total revised aggregate burden estimate</b>	2,639.4 <sup>27</sup>	7,780.1 hours <sup>28</sup>	Same as above	\$2,912,250.25 (\$279.5 x (2,639.4 + 7,780.1 hours))	\$0
<b>Private Fund Reporting<sup>29</sup></b>					
Proposed additions to Part 1A Item 7, and corresponding schedules	0.2 hours	N/A – would be included in the existing annual amendment reporting burden for ERAs	\$279.50 (blended rate for senior compliance examiner and compliance manager)	Wage rate x total hours (see below)	\$0
Current burden per adviser to private fund	1 hour per private fund <sup>30</sup>	N/A – included in the existing annual amendment burden	\$273 (blended rate for senior compliance examiner and compliance manager)		Cost of \$46,865.74 per fund, applied to 6% of RIAs that report private funds <sup>31</sup>
Revised burden per adviser to private fund	1.2 hours	N/A	\$279.50 (blended rate for senior compliance examiner and compliance manager)		
<b>Total revised burden estimate</b>	14,233 hours <sup>32</sup>	N/A	Same as above	\$3,978,123.5 (\$279.5 x 14,233 hours)	\$14,153,453.50 <sup>33</sup>
<b>TOTAL ESTIMATED BURDENS, INCLUDING AMENDMENTS</b>					
<b>Current per adviser burden/external cost per adviser</b>	23.82 hours <sup>34</sup>			23.82 hours x \$273 = \$6,502.86 per adviser cost of the burden hour	\$777 <sup>35</sup>
<b>Revised per adviser burden/external cost per adviser</b>	15.74 hours <sup>36</sup>			15 hours x \$279.5 = \$4,192.5 per adviser cost of the burden hour	\$1,593.44 <sup>37</sup>
<b>Current aggregate burden estimates</b>	433,004 initial and amendment hours annually <sup>38</sup>			433,004 x \$273 = \$118,210,092 aggregate cost of the burden hour	\$14,125,083 <sup>39</sup>
<b>Revised aggregate burden estimates</b>	305,064.73 <sup>40</sup> Initial and amendment hours annually			290,831.73 x \$279.5 = \$81,287,468.54 aggregate cost of the burden hour	\$30,892,092.00 <sup>41</sup>

Notes:

1. This column estimates the hourly burden attributable to annual and other-than-annual updating amendments to Form ADV, plus RIAs' ongoing obligations to deliver codes of ethics to clients.
2. As with Form ADV generally, and pursuant to the currently approved PRA (see 2021 Form ADV PRA), we expect that for most RIAs and ERAs, the performance of these functions will most likely be equally allocated between a senior compliance examiner and a compliance manager, or persons performing similar functions. The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report
3. External fees are in addition to the projected hour per adviser burden. Form ADV has a one-time initial cost for outside legal and compliance consulting fees in connection with the initial preparation of Parts 2 and 3 of the form. In addition to the estimated legal and compliance consulting fees, investment advisers of private funds incur one-time costs with respect to the requirement for investment advisers to report the fair value of private fund assets.

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4. Based on Form ADV data as of December 2020, we estimate that there are 13,812 RIAs (“current RIAs”) and 413 advisers that are expected to become RIAs annually (“newly expected RIAs”).
5. We estimate that 80% of RIAs incorporate ESG factors into their advisory services, which we believe is similar to the estimated percentage of registered funds that pursue either an ESG integration, ESG focused or ESG impact strategy. See discussion of PRA analysis for funds, above. Therefore, 11,380 RIAs (80% of the total of 14,225 combined current and expected RIAs that are required to complete Parts 1 and 2) would incur a burden of 1 hour, and 2,845 RIAs (20% of 14,225 combined current and expected RIAs that are required to complete Parts 1 and 2) would incur a burden of 0 hours.  $(11,380 \text{ RIAs} \times 1) + (2,845 \text{ RIAs} \times 0) / 14,225 = 0.8$  blended average hours per RIA.
6. We estimate that 11,380 RIAs (80% of the total of 14,225 combined current and expected RIAs that are required to complete Parts 1 and 2) would incur a burden of 0.5 hour, and 2,845 RIAs (20% of 14,225 current and expected RIAs that are required to complete Parts 1 and 2) would incur a burden of 0 hours.  $(11,380 \text{ RIAs} \times 0.5) + (2,845 \text{ RIAs} \times 0) / 14,225 = 0.4$  blended average hours per RIA.
7. The \$279.50 wage rate reflects current estimates from the SIFMA Wage Report of the blended hourly rate for a senior compliance examiner (\$243) and a compliance manager (\$316).  $(\$243 + \$316) / 2 = \$279.5$ .
8. We estimate that a quarter of RIAs would seek the help of outside legal services and half would seek the help of compliance consulting services in connection with the proposed amendments to Form ADV Part 2. This is based on previous estimates and ratios we have used for advisers we expect to use external services for initially preparing various parts of Form ADV. See 2020 Form ADV PRA Renewal (the subsequent amendment to Form ADV described in the 2021 Form ADV PRA did not change that estimate). Because the SIFMA Wage Report does not include a specific rate for outside compliance consultant, we are proposing to use the rates in the SIFMA Wage Report for outside management consultant, as we have done in the past when estimating the rate of outside compliance counsel. We are adjusting these external costs for inflation, using the currently estimated costs for outside legal counsel and outside management consultants in the SIFMA Wage Report: \$495 per hour for outside counsel, and \$739 per hour for outside management consultant (compliance consultants).
9. Per above, we are proposing to revise the PRA calculation methodology to apply the full initial burden only to expected RIAs, as we believe that current RIAs have generally already incurred the burden of initially preparing Form ADV.
10. See 2020 Form ADV PRA Renewal (stating that the estimate average collection of information burden per adviser for Parts 1 and 2 is 29.22 hours, prior to the most recent amendment to Form ADV). See also 2021 Form ADV PRA (adding 0.5 hours to the estimated initial burden for Part 1A in connection with the most recent amendment to Form ADV). Therefore, the current estimated average initial collection of information hourly burden per adviser for Parts 1 and 2 is 29.72 hours  $(29.22 + 0.5 = 29.72)$ .
11. The currently approved average total annual burden for RIAs attributable to annual and other-than-annual updating amendments to Form ADV Parts 1 and 2 is 10.5 hours per RIA, plus 1.3 hours per year for each RIA to meet its obligation to deliver codes of ethics to clients  $(10.5 + 1.3 = 11.8$  hours per adviser). See 2020 Form ADV PRA Renewal (these 2020 hourly estimates were not affected by the 2021 amendments to Form ADV). As we explained in previous PRAs, we estimate that each RIA filing Form ADV Part 1 will amend its form 2 times per year, which consists of one interim updating amendment (at an estimated 0.5 hours per amendment), and one annual updating amendment (at an estimated 8 hours per amendment), each year. We also explained that we estimate in that each RIA will, on average, spend 1 hour per year making interim amendments to brochure supplements, and an additional 1 hour per year to prepare brochure supplements as required by Form ADV Part 2. See *id.*
12. See 2020 Form ADV PRA Renewal (the subsequent amendment to Form ADV described in the 2021 Form ADV PRA did not affect that estimate).
13. External cost per RIA includes the external cost for initially preparing Part 2, which we have previously estimated to be approximately 10 hours of outside legal counsel for a quarter of RIAs, and 8 hours of outside management consulting services for half of RIAs. See 2020 Form ADV Renewal (these estimates were not affected by subsequent amendments to Form ADV). We add to this burden the estimated external cost associated with the proposed amendment (an additional hour of each, bringing the total to 11 hours and 9 hours, respectively, for  $\frac{1}{4}$  and  $\frac{1}{2}$  of RIAs, respectively).  $((.25 \times 13,812 \text{ RIAs}) \times (\$496 \times 11 \text{ hours})) + ((0.50 \times 13,812 \text{ RIAs}) \times (\$739 \times 9 \text{ hours})) / 13,812 \text{ RIAs} = \$4,689.50$  per adviser.
14. Per above, we are proposing to revise the PRA calculation methodology for current RIAs to not apply the full initial burden to current RIAs, as we believe that current RIAs have generally already incurred the initial burden of preparing Form ADV. Therefore, we calculate the initial burden associated with complying with the proposed amendment of 1.1 initial hours  $\times 13,812$  current RIAs = 15,193.2 initial hours in the first year aggregated for current RIAs. We are not amortizing this burden because we believe current advisers will incur it in the first year. For expected RIAs, we estimate that they will incur the full revised initial burden, which is 30.82 hours per RIA. Therefore,  $30.82 \text{ hours} \times 413 \text{ expected RIAs} = 12,728.66$  aggregate hours for expected RIAs. We do not amortize this burden for expected new RIAs because we expect a similar number of new RIAs to incur this initial burden each year. Therefore, the total revised aggregate initial burden for current and expected RIAs is  $15,193.2 \text{ hours} + 12,728.66 \text{ hours} = 27,921.86$  aggregate initial hours.
15.  $12.2 \text{ amendment hours} \times (13,812 \text{ current RIAs} + 413 \text{ expected new RIAs}) = 173,545$  aggregate amendment hours.
16. Per above, for current RIAs, we are proposing to not apply the currently approved external cost for initially preparing Part 2, because we believe that current RIAs have already incurred that initial external cost. For current RIAs, therefore, we are applying only the external cost we estimate they will incur in complying with the proposed amendment. Therefore, the revised total burden for current RIAs is  $((.25 \times 13,812 \text{ RIAs}) \times (\$496 \times 1 \text{ hour})) + ((0.50 \times 13,812 \text{ RIAs}) \times (\$739 \times 1 \text{ hour})) = \$6,816,222$  aggregated for current RIAs. We do not amortize this cost for current RIAs because we expect current RIAs will incur this initial cost in the first year. For expected RIAs, we apply the currently approved external cost for initially preparing Part 2 plus the estimated external cost for complying with the proposed amendment. Therefore,  $\$4,689.50 \text{ per expected RIA} \times 413 = \$1,936,763.50$  aggregated for expected RIAs. We do not amortize this cost for expected new RIAs because we expect a similar number of new RIAs to incur this external cost each year.  $\$6,816,222$  aggregated for current RIAs +  $\$1,936,763.50$  aggregated for expected RIAs =  $\$8,752,986$  aggregated external cost for RIAs.
17. Even though we are not proposing amendments to Form ADV Part 3 (“Form CRS”), the burdens associated with completing Part 3 are included in the PRA for purposes of updating the overall Form ADV information collection. Based on Form ADV data as of December 2020, we estimate that 8,617 current RIAs provide advice to retail investors and are therefore required to complete Form CRS, and we estimate an average of 364 expected new RIAs to be advising retail advisers and completing Form CRS for the first time annually.
18. See Form CRS Relationship Summary; Amendments to Form ADV, Investment Advisers Act Release No. 5247 (June 5, 2019) [84 FR 33492 (Sep. 10, 2019)] (“2019 Form ADV PRA”). Subsequent PRA amendments for Form ADV have not adjusted the burdens or costs associated with Form CRS. Because Form CRS is still a new requirement for all applicable RIAs, we have, and are continuing to, apply the total initial burden to all current and expected new RIAs that are required to file Form CRS, and amortize that initial burden over three years for current RIAs.
19. As reflected in the currently approved PRA burden estimate, we stated that we expect advisers required to prepare and file the relationship summary on

Form ADV Part 3 will spend an average 1 hour per year making amendments to those relationship summaries and will likely amend the disclosure an average of 1.71 times per year, for approximately 1.58 hours per adviser. See 2019 Form ADV PRA (these estimates were not amended by the 2021 amendments to Form ADV).

20. See 2020 Form ADV PRA Amendment (this cost was not affected by the subsequent amendment to Form ADV and was not updated in connection with that amendment; while this amendment did not break out a per adviser cost, we calculated this cost from the aggregate total and the number of advisers we estimated prepared Form CRS). Note, however, that in our 2020 Form ADV PRA Renewal, we applied the external cost only to expected new retail RIAs, whereas we had previously applied the external cost to current and expected retail RIAs. We believe that since Form CRS is still a newly adopted requirement, we should continue to apply the cost to both current and expected new retail RIAs. See 2019 Form ADV PRA.

21.  $8,617 \text{ current RIAs} \times 6.67 \text{ hours each for initially preparing Form CRS} = 57,475.39 \text{ aggregate hours for current RIAs initially filing Form CRS}$ . For expected new RIAs initially filing Form CRS each year, we are not proposing to use the amortized initial burden estimate, because we expect a similar number of new RIAs to incur the burden of initially preparing Form CRS each year. Therefore,  $364 \text{ expected new RIAs} \times 20 \text{ initial hours for preparing Form CRS} = 7,280 \text{ aggregate initial hours for expected RIAs}$ .  $57,475.39 \text{ hours} + 7,280 \text{ hours} = 64,755.39 \text{ aggregate hours for current and expected RIAs to initially prepare Form CRS}$ .

22.  $1.58 \text{ hours} \times (8,617 \text{ current RIAs updating Form CRS} + 364 \text{ expected new RIAs updating Form CRS}) = 14,189.98 \text{ aggregate amendment hours per year for RIAs updating Form CRS}$ .

23. We have previously estimated the initial preparation of Form CRS would require 5 hours of external legal services for an estimated quarter of advisers that prepare Part 3, and 5 hours of external compliance consulting services for an estimated half of advisers that prepare Part 3. See 2020 PRA Renewal (these estimates were not amended by the most recent amendment to Form ADV). The hourly cost estimate of \$496 and \$739 for outside legal services and management consulting services, respectively, are based on an inflation-adjusted figure in the SIFMA Wage Report. Therefore,  $((.25 \times 8,617 \text{ current RIAs preparing Form CRS}) \times (\$496 \times 5 \text{ hours})) + ((0.50 \times 8,617 \text{ current RIAs preparing Form CRS}) \times (\$739 \times 5 \text{ hours})) = \$21,262,447.5$ . For current RIAs, since this is still a new requirement, we amortize this cost over three years for a per year initial external aggregated cost of  $\$7,087,482.5$ . For expected RIAs that we expect would prepare Form CRS each year, we use the following formula:  $((.25 \times 364 \text{ expected RIAs preparing Form CRS}) \times (\$496 \times 5 \text{ hours})) + ((0.50 \times 364 \text{ expected RIAs preparing Form CRS}) \times (\$739 \times 5 \text{ hours})) = \$898,170 \text{ aggregated cost for expected RIAs}$ . We are not amortizing this initial cost because we estimate a similar number of new RIAs would incur this initial cost in preparing Form CRS each year,  $\$7,087,482.5 + \$898,170 = \$7,985,652.5 \text{ aggregate external cost for current and expected RIAs to initially prepare Form CRS}$ .

24. Based on Form ADV data as of December 2020, we estimate that there are 4,859 currently reporting ERAs ("current ERAs"), and an average of 303 expected new ERAs annually ("expected ERAs").

25. See 2021 Form ADV PRA.

26. The previously approved average per adviser annual burden for ERAs attributable to annual and updating amendments to Form ADV is 1.5 hours. See 2021 Form ADV PRA. As we have done in the past, we add to this burden the burden for ERAs making final filings, which we have previously estimated to be 0.1 hour per applicable adviser, and we estimate that an expected 371 current ERAs will prepare final filings annually, based on Form ADV data as of December 2020.

27. Per above, for current ERAs, we are proposing to not apply the currently approved burden for initially preparing Form ADV, because we believe that current ERAs have already incurred this burden. For current RIAs, therefore, we are applying only the burden we estimate for the proposed amendment. Therefore, the revised total burden for current RIAs is  $0.3 \text{ hour} \times 4,859 \text{ current ERAs} = 1,457.7 \text{ aggregate initial hours per year for current ERAs}$ . We are not amortizing this burden because we expect current ERAs to incur this burden in the first year. For expected ERAs, we are applying the revised total initial burden of preparing Form ADV of 3.9 hours. Therefore,  $3.9 \text{ hours} \times 303 \text{ expected new ERAs per year} = 1,181.7 \text{ aggregate initial hours for expected ERAs}$ . For these expected ERAs, we are not proposing to amortize this burden, because we expect a similar number of new ERAs to incur this burden each year. Therefore, in total,  $1,457.7 \text{ hours} + 1,181.7 \text{ hours} = 2,639.4 \text{ aggregate initial annual hours for current and expected ERAs}$ .

28. The previously approved average total annual burden of ERAs attributable to annual and updating amendments to Form ADV is 1.5 hours. See 2020 Form ADV Renewal (this estimate was not affected by the subsequent amendment to Form ADV). As we have done in the past, we added to this burden the currently approved burden for ERAs making final filings of 0.1 hour, and multiplied that by the number of final filings we are estimating ERAs would file per year (371 final filings based on Form ADV data as of December 2020).  $(1.5 \text{ hours} \times 4,859 \text{ currently reporting ERAs}) + (0.1 \text{ hour} \times 371 \text{ final filings}) = 7,325.6 \text{ updated aggregated hours for currently reporting ERAs}$ . For expected ERAs, the aggregate burden is 1.5 hours for each ERA attributable to annual and other-than-annual updating amendments to Form ADV  $\times 303 \text{ expected new ERAs} = 454.5 \text{ annual aggregated hours for expected new ERAs updating Form ADV (other than for private fund reporting)}$ . The total aggregate amendment burden for ERAs (other than for private fund reporting) is  $7,325.6 + 454.5 = 7,780.10 \text{ hours}$ .

29. Based on Form ADV data as of December 2020, we estimate that 4,949 current RIAs advise 41,938 private funds, and expect an estimated 83 new RIAs will advise 332 reported private funds per year. We estimate that 4,791 current ERAs advise 23,053 private funds, and estimate an expected 348 new ERAs will advise 697 reported private funds per year. Therefore, we estimate that there are 64,991 currently reported private funds reported by current private fund advisers (41,938 + 23,053), and there will be annually 1,029 new private funds reported by expected private fund advisers (332 + 697). The total number of current and expected new RIAs that report or are expected to report private funds is 5,032 (4,949 current RIAs that report private funds + 83 expected RIAs that would report private funds).

30. See 2020 Form ADV PRA Renewal (this per adviser burden was not affected by subsequent amendments to Form ADV).

31. We previously estimated that an adviser without the internal capacity to value specific illiquid assets would obtain pricing or valuation services at an estimated cost of \$37,625 each on an annual basis. See Rules Implementing Amendments to the Investment Advisers Act of 1940, Investment Advisers Act Release No. IA-3221 (June 22, 2011) [76 FR 42950 (July 19, 2011)]. However, because we estimated that external cost in 2011, we are proposing to use an inflation-adjusted cost of \$46,865.74, based on the CPI calculator published by the Bureau of Labor Statistics at [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm). As with previously approved PRA methodologies, we continue to estimate that 6% of RIAs have at least one private fund client that may not be audited. See 2020 Form ADV PRA Renewal.

32. Per above, for currently reported private funds, we are proposing to not apply the currently approved burden for initially reporting private funds on Form ADV, because we believe that current private fund advisers have already incurred this burden. Therefore, we calculated the burden on current private fund advisers for only the proposed incremental new additional burden attributable to private fund reporting of 0.2 hours per private fund  $\times 64,991 \text{ currently reported private funds} = 12,998.2 \text{ aggregate hours for current private fund advisers}$ . We expect advisers to incur this initial burden in the first year and are therefore not amortizing this burden. For the estimated 1,029 new private funds annually of expected private fund advisers, we calculate the initial burden of

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both the proposed incremental new additional burden attributable to private fund reporting of 0.2 hours per private fund, and the 1 hour initial burden per private fund. Therefore, 1.2 hours per expected new private fund x 1,029 expected new private funds = 1,234.8 aggregate hours for expected new private funds. For these expected new private funds, we are not proposing to amortize this burden, because we expect new private fund advisers to incur this burden with respect to new private funds each year. 12,998.2 hours + 1,234.8 hours = 14,233 aggregate hours for private fund advisers.

33. As with previously approved PRA methodologies, we continue to estimate that 6% of registered advisers have at least one private fund client that may not be audited, therefore we estimate that the total number of audits for current and expected RIAs is 6% x 5,032 current and expected RIAs reporting private funds or expected to report private funds = 301.92 audits. We therefore estimate that approximately 302 registered advisers incur costs of \$46,865.74 each on an annual basis (see note 31 describing the cost per audit), for an aggregate annual total cost of \$14,153,453.48.

34. 433,004 currently approved burden hours / 18,179 advisers (current and expected annually) = 23.82 hours per adviser. See 2021 Form ADV PRA.

35. \$14,125,083 currently approved aggregate external cost / 18,179 advisers (current and expected annually) = \$777 blended average external cost per adviser.

36. 305,064.73 aggregate annual hours for current and expected new advisers (see infra note 40) / (13,812 current RIAs + 413 expected RIAs + 4,859 current ERAs + 303 expected ERAs\*) = 15.74 blended average hours per adviser. \* The parenthetical totals 19,387 current and expected advisers.

37. \$30,892,092.00 aggregate external cost for current and expected new advisers / (19,387 advisers current and expected annually) = \$1,593.44 blended average hours per adviser.

38. See 2021 Form ADV PRA.

39. See 2021 Form ADV PRA.

40. 27,921.86 hours + 173,545 hours + 64,755.39 hours + 14,189.98 hours + 2,639.4 hours + 7,780.1 hours + 14,233 hours = 305,064.73 aggregate annual hours for current and expected new advisers.

41. \$8,752,986 + \$7,985,652.50 + \$14,153,453.50 = \$30,892,092.00

### **13. Cost to Respondents**

Cost burden is the cost of goods and services purchased to prepare and amend Form ADV, such as for the services of outside counsel. The cost burden does not include the hour burden discussed in Item 12 above. Estimates are based on the Commission's experience with the filing of registration forms.

As summarized in Table 1 above, in our most recent Paperwork Reduction Act submission for Form ADV, Commission staff estimated about \$14,125,083 in external cost burden per year, or \$777 per adviser.<sup>14</sup> We estimate that the annual cost of outside services associated with these proposed amendments to Form ADV is approximately \$1,593.44 per adviser and the total annual external cost burden for the Form ADV proposed amendments is \$30,892,092.00.

### **14. Cost to the Federal Government**

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

### **15. Change in Burden**

We estimate that amendments to Form ADV, will result in a revised annual aggregate burden hours for Form ADV (Parts 1, 2 and 3) for all registered advisers and exempt reporting advisers would be 305,064.73 hours per year, with a monetized value of \$81,287,468.54.<sup>15</sup> This would be an aggregate decrease of 127,939.27 hours, or \$36,922,743.56 in the monetized value of the hour burden, from the currently approved annual aggregate burden estimates.<sup>16</sup> The aggregate annual estimated external cost burden of \$30,892,092.00 represents an increase of \$16,767,009 from

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<sup>14</sup> See Approved Form ADV PRA (describing the external cost burden as \$777 per adviser).

<sup>15</sup> See *supra* Table 1 Form ADV PRA Estimates.

<sup>16</sup> See *supra* Table 1 Form ADV PRA Estimates.

the previously approved estimate of \$14,125,083. The changes are due to proposed amendments, updated data, and using a new methodology for certain estimates.

**16. Information Collection Planned for Statistical Purposes**

The results of any information collection will not be published.

**17. Approval to Omit OMB Expiration Date**

We request authorization to omit the expiration date on the electronic version of the form, 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**

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

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

The collection of information will not employ statistical methods.