

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, Part 2 is the client brochure, and 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 and prospective 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 203-1¹ under the Investment Advisers Act of 1940 (“Advisers Act”)² requires every person applying for investment adviser registration with the Commission to file Form ADV.³ Rule 204-4⁴ 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 204-1⁵ under the

¹ 17 CFR 275.203-1.

² 15 U.S.C 80b-4.

³ 17 CFR 279.1.

⁴ 17 CFR 275.204-4.

⁵ 17 CFR 275.204-1.

Advisers Act requires 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 March 27, 2024, the Commission adopted amendments to rule 203A-2(e) for investment advisers relying on the exemption in rule 203A-2(e) (“internet investment advisers”).⁶ In connection with the amendments to rule 203A-2(e), the Commission amended Form ADV to conform certain instructions and definitions to the amended rule. The amendments to Form ADV require an adviser relying on the rule as a basis for registration to represent on Schedule D of its Form ADV that it has an operational interactive website.⁷ These amendments require internet investment advisers, as an initial matter and periodically thereafter, to provide an additional affirmative representation on Form ADV that more clearly notes the requirements of the exemption, thus reinforcing the conditions of the exemption for the internet investment adviser. Exempt reporting advisers answer a subset of Form ADV Part 1A but the amendments

⁶ The amendments: (1) require internet investment advisers to at all times have an “operational website, (2) eliminate the *de minimis* exception in current rule 203A-2(e) that permits investment advisers to have fewer than 15 non-internet clients in any 12-month period, and (3) require internet investment advisers to have more than one client. *See* amended rule 203A-2(e)(1)(i); Exemption for Certain Investment Advisers Operating Through the Internet Investment Advisers Act Release No. 6578 Mar. 27, 2024) [89 FR 25693 (April 9, 2024)] (“Adopting Release”). The amendments also require an internet investment adviser to retain in an easily accessible place, for a period of not less than five years from the filing of a Form ADV, a record demonstrating that the adviser provides investment advice to its clients exclusively through an operational interactive website in accordance with the amended rule. 17 CFR 275.203(a)-2(e)(ii).

⁷ *See* amended rule 203A-2(e)(1)(iv).

would not apply to exempt reporting advisers. The Commission did not amend Parts 2 or 3 of Form ADV.

Form ADV contains “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995.⁸ The amendments to Form ADV related to amended rule 203A-2(e) contain collections of information. The collection of this information is designed to provide information to the Commission in connection with the registration and annual amendments to Form ADV filed by internet investment advisers and will assist Commission staff in connection with its review of existing registrations and registration applications for compliance with the rule and, as applicable, for possible deregistration for an inability to meet the conditions of the rule. This information will also help Commission staff prepare for examinations of internet 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

⁸ 44 U.S.C. 3501 to 3520.

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 Advisers 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, including those advisers that are small entities. The requirements of Form ADV applicable to exempt reporting advisers also are the same for all exempt reporting advisers, including those that are small entities. Subject to certain exceptions, including the exception for internet investment advisers pursuant to rule 203A-2(e), 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 amendments to Form ADV. 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. The Commission requested public comment on the collection of information requirements in Form ADV before it submitted this request for extension and approval to the OMB. [The Commission received no comments in response to its request.]

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.⁹ Filing

⁹ See 15 U.S.C. §§ 80b-3 and 80b-4.

Form ADV is mandatory. A System of Records Notice has been published in the Federal Register at 66 FR 7820. It, along with instructions on how to obtain the applicable Privacy Impact Assessment, can be found at: <http://www.sec.gov/about/privacy/secprivacyoffice.htm>.

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹⁰ 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.¹¹ Our latest data indicate that there were approximately 15,565 advisers registered with the Commission and 5,980 exempt reporting advisers as of October 5, 2023. Further, the total number of advisers relying on the internet adviser exemption under rule 203A-2(e) was 271 as of June 30, 2023. The amendments to Form ADV Part 1A, Schedule D, require internet investment advisers to indicate on Schedule D that, if applying for registration with the Commission, the adviser will provide—and if amending its existing registration and is continuing to rely on the internet adviser exemption under rule 203A-2(e), that it has provided—investment advice to all of its clients exclusively through an operational interactive website. We estimate that 10 of the 271 SEC-registered internet investment advisers will not file an annual updating amendment by the rule’s compliance date and will file an other-than-annual amendment in order to comply with

¹⁰ 44 U.S.C. 3501 et seq.

¹¹ 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.

the rule by the rule's compliance date.¹² The burdens associated with completing Parts 2 and 3 also are included in the PRA for purposes of updating the overall Form ADV information collection.¹³ 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 approximately 433,004 hours per year for a monetized burden of \$118,210,212.10.¹⁴

In addition, we are making the following changes to our PRA methodology for Form ADV:

- *Form ADV Parts 1 and 2.* Form ADV PRA has historically calculated an hourly burden per adviser per year 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 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 will continue to apply any new initial burdens resulting from proposed amendments to Form ADV Part 1, as applicable, to all currently registered investment advisers.

The chart below summarizes the burden estimates associated with the amendments to Form ADV Part 1. The proposed new burdens also take into account changes in the numbers of advisers since the last approved PRA for Form ADV, and the increased wage rates due to

¹² The compliance date for the amended rule is March 31, 2025. *See* Adopting Release.

¹³ *See* Updated Supporting Statement for PRA Submission for Amendments to Form ADV under the Investment Advisers Act of 1940 ("Approved Form ADV PRA").

¹⁴ *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](https://www.reginfo.gov) ("2021 Form ADV PRA").

inflation. The chart illustrates the total estimated burden per adviser to complete Form ADV has decreased from 23.82¹⁵ hours to 10.72 hours. This difference is attributable in part to the change in methodology outlined above, whereby we are no longer applying the total initial burden to current advisers as we have done in prior PRA submissions resulting in a lower total initial burden. Further, the number of current and expected registered investment advisers and exempt reporting advisers has increased. Accordingly, a lower total initial hour burden dividing by a higher total adviser estimate results in a lower total estimated burden per adviser figure.¹⁶

¹⁵ *Id.*

¹⁶ See footnotes 32 and 34 of the Form ADV PRA Chart below for a comparison of the updated total burden per adviser calculation to the 2021 Form ADV PRA calculation.

FORM ADV PAPERWORK REDUCTION ACT ESTIMATES

RIAs (burden for Parts 1 and 2, not including private fund reporting)¹

	Internal Initial Burden Hours	Internal Amendment Burden Hours ²	Wage Rate	Internal Time Costs	Annual External Cost Burden
Final additions (per adviser) to Part 1A (Item 7.C. and Section 7.C.(1) of Schedule D) ³	Current burden unchanged	0.00065 hours	\$372 per hour (compliance manager) ⁴	(0.00065 hours) x \$329 = \$0.24	Current burden unchanged
Current burden per adviser	29.72 hours ⁵	11.8 hours ⁶	\$273 per hour (blended current rate for senior compliance examiner and compliance manager) ⁷	(29.72 hours + 11.8 hours) x \$273 = \$11,334.96	\$2,069,250 aggregated (previously presented only in the aggregate) ⁸
Revised burden per adviser	29.72 hours	11.80065 hours ⁹	\$329 (blended revised rate for senior compliance examiner and compliance manager)	(29.72 hours + 11.80065 hours) x \$329 = \$13,660.29	\$4,940 ¹⁰
Total revised aggregate burden estimate	17,207.88 hours ¹¹	190,509.69 hours ¹²	Same as above	(17,207.88 + 190,499.20) x \$329 = \$68,335,629.32	\$2,860,260 ¹³

RIAs (burden for Part 3)¹⁴

No changes	--	--	--	--	--
Current burden per RIA	20 hours, amortized over three years = 6.67 hours ¹⁵	1.58 hours ¹⁶	\$273 (blended current rate for senior compliance examiner and compliance manager)	(6.67 hours + 1.58 hours) x \$273 = \$2,252.25	\$2,433.74 per adviser ¹⁷
Revised burden per RIA	6.67 hours	1.58 hours	\$329 (blended revised rate for senior compliance examiner and compliance manager)	(6.67 hours + 1.58 hours) x \$329 = \$2,714.25	\$2,905 per adviser
Total updated aggregate burden estimate	4,640 hours ¹⁸	16,340.36 hours ¹⁹	\$329 (blended revised rate for senior compliance examiner and compliance manager)	(68,981.14 hours + 16,340.36 hours) x \$329 = \$28,070,773.50	\$2,021,880 ²⁰

ERAs (burden for Part 1A, not including private fund reporting)²¹

No changes	--	--	--	--	--
Current burden per ERA	3.60 hours ²²	1.5 hours + (0.1 hours x final filings) ²³	\$273 (blended current rate for senior compliance examiner and compliance manager)	Wage rate x total hours (see below)	\$0

Revised burden per ERA	3.60 hours	1.5 hours + (0.1 hours x final filings)	\$329 (blended revised rate for senior compliance examiner and compliance manager)	(3.60 hours + (0.1 hours x 470 final filings)) x \$329 = \$16,647.40	\$0
Total updated aggregate burden estimate	3,330 ²⁴	10,405 hours ²⁵	\$329 (blended revised rate for senior compliance examiner and compliance manager)	(\$329 x (3,330 + 10,405 hours)) = \$4,518,815	\$0
Private Fund Reporting²⁶					
No changes	--	--	--	--	--
Current burden per adviser to private fund	1 hour per private fund ²⁷	N/A—included in the existing annual amendment reporting burden for ERAs	\$273 (blended current rate for senior compliance examiner and compliance manager)	N/A	Cost of \$46,865.74 per fund, applied to 6% of RIAs that report private funds ²⁸
Revised burden per adviser to private fund	Same as above	Same as above	\$329 (blended revised rate for senior compliance examiner and compliance manager)	Same as above	Same as above
Total updated aggregate burden estimate	4,676 hours ²⁹	N/A	\$329 (blended revised rate for senior compliance examiner and compliance manager)	(\$329 x 4,676 ³⁰ hours) = \$1,538,404	\$16,262,411.78 ³¹
TOTAL ESTIMATED BURDENS, INCLUDING AMENDMENTS					
Current per adviser burden/external cost per adviser	23.82 hours ³²			23.82 hours x \$273 = \$6,502.86 per adviser cost of the burden hour	\$777 ³³
Revised per adviser burden/external cost per adviser	10.72 hours ³⁴			10.72 hours x \$329 = \$3,526.88 per adviser cost of the burden hour	\$917.37 ³⁵
Current aggregate burden estimates	433,004 initial and amendment hours annually ³⁶			433,004 x \$273 = \$118,210,092 aggregate cost of the burden hour	\$14,125,083 ³⁷
Revised aggregate burden estimates	247,108.93 ³⁸ Initial and amendment hours annually			247,108.93 x \$329 = \$81,298,837.97 aggregate cost of the burden hour	\$21,144,551.78 ³⁹

Notes:

1. Based on Form ADV data as of October 5, 2023, we estimate that there are 15,565 RIAs (“current RIAs”) and 579 net new advisers that are expected to become RIAs annually (“newly expected RIAs”). We obtain the newly expected RIAs number by taking the average number of new RIAs over the past three years (1,351) and subtracting the average RIA deregistrations over the past three years (772), for a total of 579 net new advisers on average.

2. 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.

3. The burden hours estimate for the Schedule D amendment is based the Commission’s estimate that 10 of the 271 SEC-registered internet investment advisers will file an other-than-annual amendment in order to comply with amended rule 203A-2(e) by the compliance date. In determining a per adviser burden related to the Schedule D amendment, we have divided the 10-hour burden by the number of advisers currently registered with the SEC (15,391) to determine the impact of this burden on all advisers filing the form for Commission registration. 10 hours/15,391 currently registered investment advisers = 0.00065 hours per adviser.

4. The \$372.00 wage rate reflects current estimates from the SIFMA Wage Report of the hourly rate for a compliance manager.

5. 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); 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 ($29.22 + 0.5 = 29.72$).

6. 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 1A 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 that each RIA will, on average, spend 1 hour per year making interim amendments to brochures, and an additional 1 hour per year to prepare brochure supplements as required by Form ADV, Part 2. See *id.*

7. As with Form ADV generally, and pursuant to the currently approved PRA (see 2021 Form ADV PRA), we expect that for most RIAs, the performance of these functions would 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 salary information for the securities industry compiled by the Securities Industry and Financial Markets Association's Office Salaries in the Securities Industry 2013. The hourly wage rates used in our proposed and final estimates are based on (1) SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by SEC staff for 2024 to account for an 1,800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead; and (2) SIFMA's Office Salaries in the Securities Industry 2013, modified by SEC staff to account for an 1,800-hour work-year and inflation, and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead. The final estimates are based on the preceding SIFMA data sets, which SEC staff has updated to account for current inflation rates ("SIFMA Wage Report"). The estimated figures are modified by firm size, employee benefits, overhead, and adjusted to account for the effects of inflation. For RIAs that do not already have a senior compliance or a compliance manager, we expect that a person performing a similar function would have similar hourly costs. The estimated wage rates in connection with the revised PRA estimates are adjusted for inflation from the wage rates used in the currently approved PRA analysis.

8. See 2020 Form ADV PRA Renewal (the subsequent amendment to Form ADV described in the 2021 Form ADV PRA did not affect that estimate). 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.

9. 11.8 current burden + 0.00065 hours per adviser = 11.80065 .

10. 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 amendments to Form ADV, Part 1A. 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 ICR Reference No. 202005-3235-004 ("2020 Form ADV PRA Renewal"), available at https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202005-3235-004 (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 an outside compliance consultant, we are using the rates in the SIFMA Wage Report for an outside management consultant, as we have done in the past when estimating the rate of an 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: \$584 per hour for outside counsel, and \$870 per hour for outside management consultant (compliance consultants). 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. The Form ADV amendment does not impact these figures. We estimate that $\frac{1}{4}$ of advisers that prepare Part 1 will utilize external legal services and $\frac{1}{2}$ of advisers that prepare Part 1 will utilize external compliance consulting services. See 2020 Form ADV Renewal (these estimates were not affected by subsequent amendments to Form ADV). We therefore calculate the revised burden per adviser as follows: $((.25 \times 15,565 \text{ RIAs}) \times (\$584 \times 10 \text{ hours})) + ((0.50 \times 15,565 \text{ RIAs}) \times (\$870 \times 8 \text{ hours})) / 15,565 \text{ RIAs} = \$4,940$ per adviser.

11. Per above, we are revising 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. Since the Form ADV amendment does not impose a new initial burden for advisers, we are not calculating any additional burden for current advisers. For expected new RIAs, we estimate that they will incur the full revised initial burden, which is 29.72 hours per RIA. Therefore, $29.72 \text{ hours} \times 579 \text{ expected RIAs} = 17,207.88$ aggregate hours for expected new 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 new RIAs is 17,207.88 aggregate initial hours.

12. 11.80065 amendment hours $\times (15,565 \text{ current RIAs} + 579 \text{ expected new RIAs}) = 190,509.69$ hours.

13. Per above, for current RIAs, we are not applying 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 would only calculate an annual external cost estimate when a Form ADV amendment imposes a new burden on RIAs. There is no annual external cost estimate related to the Form ADV amendment. Thus, we do not calculate any new annual external cost burden for current RIAs to add to the estimated annual external cost burden for expected new RIAs. For expected new RIAs, we apply the currently approved external cost for initially preparing Part 2. Therefore, $\$4,940$ per expected new RIA $\times 579 = \$2,860,260$ aggregated for expected new 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. $\$2,860,260$ aggregated external cost for RIAs.

14. Even though we are not amending 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 October 5, 2023, we estimate that 9,646 current RIAs provide advice to retail investors and are therefore required to complete Form CRS, and we estimate an average of 696 expected new RIAs to be advising retail investors and completing Form CRS for the first time annually. The number of expected new RIAs to be advising retail investors is higher than the number of expected new RIAs because we anticipate some current RIAs as well as some new RIAs will be advising retail investors for the first time and thus be required to complete Form CRS.

15. See Form CRS Relationship Summary; Amendments to Form ADV, Investment Advisers Act Release No. 5247 (Jun. 5, 2019) [84 FR 33492 (Sep. 10, 2019)] ("2019 Form ADV PRA"). Since advisers have been required to comply with the Form CRS requirements for more than three years, we are no longer applying the amortized initial burden to current advisers that are required to file Form CRS. Instead, we are applying the amortized initial burden of 6.67 hours to the expected number of new RIAs that will be completing Form CRS for the first time.

16. 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).
17. *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. Because advisers have been required to comply with the Form CRS requirements for less than three years, we believe that we should continue to apply the cost to both current and expected new retail RIAs. *See* 2019 Form ADV PRA.
18. We estimate that the initial burden of completing Form CRS for expected new RIAs that will be advising retail investors is 696 expected advisers x 20 hours = 13,920 hours. For expected new RIAs initially filing Form CRS each year, we are amortizing this initial burden estimate over three years to reflect the anticipated period of time that advisers will use the form. Therefore, 13,920 hours / 3 years = 4,640 aggregate initial hours for expected RIAs to initially prepare Form CRS.
19. 1.58 hours x (9,646 current RIAs updating Form CRS + 696 expected new RIAs updating Form CRS) = 16,340.36 aggregate amendment hours per year for RIAs updating Form CRS.
20. 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 \$584 and \$870 for outside legal services and management consulting services, respectively, are based on an inflation-adjusted figure in the SIFMA Wage Report. There is no new estimated annual external cost burden associated with Part 3. Thus, we are not calculating an associated new annual external cost burden for current advisers filing Form CRS. For expected RIAs that we expect would prepare Form CRS each year, we use the following formula: $((.25 \times 696 \text{ expected RIAs preparing Form CRS}) \times (\$584 \times 5 \text{ hours})) + ((.50 \times 696 \text{ expected RIAs preparing Form CRS}) \times (\$870 \times 5 \text{ hours})) = \$2,021,880$ 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.
21. Based on Form ADV data as of October 5, 2023, we estimate that there are 5,980 currently reporting ERAs (“current ERAs”), and an average of 925 expected new ERAs annually (“expected ERAs”).
22. *See* 2021 Form ADV PRA.
23. 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 470 current ERAs will prepare final filings annually, based on Form ADV data as of October 5, 2023.
24. For current ERAs, we are not applying the currently approved burden for initially preparing Form ADV, because we believe that current ERAs have already incurred this burden. For expected ERAs, we are applying the initial burden of preparing Form ADV of 3.6 hours. Therefore, 3.6 hours x 925 expected new ERAs per year = 3,330 aggregate initial hours for expected ERAs. For these expected ERAs, we are not amortizing this burden, because we expect a similar number of new ERAs to incur this burden each year. Therefore, we estimate 3,330 aggregate initial annual hours for expected ERAs.
25. 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 (470 final filings based on Form ADV data as of October 5, 2023). $(1.5 \text{ hours} \times 5,980 \text{ currently reporting ERAs}) + (0.1 \text{ hour} \times 470 \text{ final filings}) = 9,017$ 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 x 925 expected new ERAs = 1,388 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 $9,017 + 1,388 = 10,405$ hours.
26. Based on Form ADV data as of October 5, 2023, we estimate that 5,405 current RIAs advise 56,328 private funds and expect an estimated 376 new RIAs will advise 2,158 reported private funds per year. We estimate that 5,547 current ERAs advise 40,809 private funds and estimate an expected 774 new ERAs will advise 2,518 reported private funds per year. Therefore, we estimate that there are 97,137 currently reported private funds reported by current private fund advisers (56,328 + 40,809), and there will be annually 4,676 new private funds reported by expected private fund advisers (2,158 + 2,518). The total number of current and expected new RIAs that report or are expected to report private funds is 5,781 (5,405 current RIAs that report private funds + 376 expected RIAs that would report private funds).
27. *See* 2020 Form ADV PRA Renewal (this per adviser burden was not affected by subsequent amendments to Form ADV).
28. 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, Advisers Act Release No. IA-3221 (Jun. 22, 2011) [76 F.R. 42949 (Jul. 19, 2011)]. However, because we estimated that external cost in 2011, we are using 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. 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.
29. Per above, for currently reported private funds, we are not applying 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. For the estimated 4,676 new private funds annually of expected private fund advisers, we calculate the initial burden of 1 hour per private fund. 1 hour per expected new private fund x 4,676 expected new private funds = 4,676 aggregate hours for expected new private funds. For these expected new private funds, we are not amortizing this burden, because we expect new private fund advisers to incur this burden with respect to new private funds each year. Therefore, we estimate 4,676 aggregate initial hours for expected private fund advisers.
30. Per above, for currently reported private funds, we are not applying 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. We expect advisers to incur the initial burden in the first year and are therefore not amortizing this burden. For the estimated 4,676 new private funds annually of expected private fund advisers, we calculate the initial burden of the 1-hour initial burden per private fund. Therefore, 1.0 hours per expected new private fund x 4,676 expected new private funds = 4,676 aggregate hours for expected new private funds. For these expected new private funds, we are not amortizing this burden because we expect new private fund advisers to incur this burden with respect to new private funds each year. 4,676 aggregate hours for private fund advisers.
31. 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 5,781 current and expected RIAs reporting private funds or

expected to report private funds = 346.86 audits. We therefore estimate that approximately 347 registered advisers incur costs of \$46,865.74 each on an annual basis (see footnote 28 describing the cost per audit), for an aggregate annual total external cost of \$16,262,411.78.

32. 433,004 currently approved burden hours / 18,179 advisers (current and expected annually) = 23.82 hours per adviser. *See* 2021 Form ADV PRA.

33. \$14,125,083 currently approved aggregate external cost / 18,179 advisers (current and expected annually) = \$777 blended average external cost per adviser.

34. 247,108.93 aggregate annual hours for current and expected new advisers (see *infra* footnote 38) / 23,049 advisers current and expected annually = 10.72 blended average hours per adviser. (15,565 current RIAs + 579 expected RIAs + 5,980 current ERAs + 925 expected ERAs = 23,049)

35. \$21,144,551.78 aggregate external cost for current and expected new advisers (see *infra* footnote 39) / (23,049 advisers current and expected annually (*see supra* footnote 34)) = \$917.37 blended average hours per adviser.

36. *See* 2021 Form ADV PRA.

37. *See* 2021 Form ADV PRA.

38. 17,207.88 hours (internal initial burden for Parts 1 and 2) + 190,509.69 hours (internal annual amendment burden for Parts 1 and 2) + 4,640 hours (internal initial burden for Part 3) + 16,340.36 hours (internal annual amendment burden for Part 3) + 3,330 hours (internal initial burden for ERAs) + 10,405 hours (internal annual amendment burden for ERAs) + 4,676 hours (Internal initial burden for private funds) = 247,108.93 aggregate annual hours for current and expected new advisers.

39. \$2,860,260 + \$2,021,880 + \$16,262,411.78 = \$21,144,551.78.

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 the chart 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.¹⁷ We estimate that advisers will incur no additional external costs in connection with these amendments to Form ADV.

14. Cost to the Federal Government

There are no costs to the federal 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 247,108.93 hours per year, with a monetized value of \$81,298,837.97.¹⁸ This would be an aggregate decrease of 185,895.07 hours, or \$36,911,254.03 in the monetized value of the hour burden, from the currently approved annual aggregate burden estimates.¹⁹ The aggregate annual estimated external cost burden of \$21,144,551.78 represents an increase of \$7,019,468.78 from the previously approved estimate of \$14,125,083. The changes in burden are due to final amendments, updated data, and using a new methodology for certain estimates.

¹⁷ See Approved Form ADV PRA (describing the external cost burden as \$777 per adviser).

¹⁸ See the chart *supra* Form ADV PRA Estimates.

¹⁹ See the chart *supra* Form ADV PRA Estimates.

These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

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.