SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Crowdfunding Rules 400-404 (Funding Portals)
OMB Control No. 3235-0727

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. § 3501 *et seq*. (2012).

A. JUSTIFICATION

1. Necessity of Information Collection

The Jumpstart Our Businesses Act of 2012 (the "JOBS Act") added new Securities Act of 1933 ("Securities Act") Section 4(a)(6),[1] which provides an exemption from the registration requirements of Securities Act Section 5 for certain crowdfunding transactions. To qualify for the exemption under Section 4(a)(6), crowdfunding transactions by an issuer must meet specified requirements, including that transactions must be conducted through an intermediary that either is registered as a broker or is registered as a new type of entity called a "funding portal." Title III adds Securities Exchange Act of 1934 ("Exchange Act") Section 3(h), which requires the Commission to adopt rules to exempt, either conditionally or unconditionally, "funding portals" from having to register as brokers or dealers pursuant to Exchange Act 15(a)(1).

Pursuant to Title III, the Commission adopted Exchange Act Rules 400 through 404 and Form Funding Portal on October 30, 2015, in order to create a regulatory scheme for funding portals and to exempt funding portals from having to register as brokers or dealers.[2]

The collections of information required under Rules 400 through 404 is mandatory for all funding portals.

Rule 400 requires each person applying for registration with the Commission as a funding portal to file electronically with the Commission Form Funding Portal.

Rule 400(a) requires a funding portal to become a member of a national securities association registered under Section 15A of the Exchange Act.

Rule 400(b) requires a funding portal to file an amendment to Form Funding Portal if any information previously submitted on Form Funding Portal becomes inaccurate for any reason.

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1 Title III amended Securities Act Section 4 to add Section 4(6); however, Title II of the JOBS Act also amended Securities Act Section 4 and inserted subsections (a) and (b). The U.S. Code implemented the amendment by adding paragraph (6) at the end of subsection (a).

2 *See Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71387, 71545-49 (Nov. 16, 2015) ("*Regulation Crowdfunding*").

Rule 400(c) provides that a funding portal can succeed to the business of a predecessor funding portal upon the successor filing a registration on Form Funding Portal and the predecessor filing a withdrawal on Form Funding Portal.

Rule 400(d) requires a funding portal to promptly file a withdrawal of registration on Form Funding Portal upon ceasing to operate as a funding portal.

Rule 400(e) states that duplicate originals of the applications and reports provided for in this section must be filed with surveillance personnel designated by any registered national securities association of which the funding portal is a member.

Rule 400(f) requires a nonresident funding portal to: (1) obtain a written consent and power of attorney appointing an agent for service of process in the United States; (2) furnish the Commission with the name and address of its agent for services of process on Schedule C of Form Funding Portal; (3) certify that it can, as a matter of law, and will provide the Commission and any registered national securities association of which it becomes a member with prompt access to its books and records and can, as a matter of law, and will submit to onsite inspection and examination by the Commission and any registered national securities association of which it becomes a member; and (4) provide the Commission with an opinion of counsel and certify on Schedule C on Form Funding Portal that the firm can, as a matter of law, provide the Commission and registered national securities association of which it becomes a member with prompt access to its books and records and can, as a matter of law, submit to onsite inspection and examination by the Commission and any registered national securities association of which it becomes a member.[3]

Rule 403(a) requires a funding portal to implement written policies and procedures reasonably designed to achieve compliance with the federal securities laws and the rules and regulations thereunder relating to its business as a funding portal.

Rule 403(b) provides that a funding portal must comply with privacy rules.

Rule 404 requires all registered funding portals to maintain certain books and records relating to their funding portal activities, for not less than five years, the first two in an easily accessible place. Rule 404(e) requires funding portals to furnish promptly to the Commission, its representatives, and the registered national securities association of which the funding portal is a member true, correct, complete and current copies of such records of the funding portal that are requested by the representatives of the Commission and the registered national securities association.

2. Purpose and Use of Information Collection

Form Funding Portal helps ensure that the Commission can make information about funding portals transparent and easily accessible to the investing public, including issuers and

[3] Exchange Act Section 3(h)(1)(C) permits us to impose, as part of our authority to exempt funding portals from broker registration, "such other requirements under [the Exchange Act] as the Commission determines appropriate."

obligated persons who engage funding portals; investors who may purchase securities through offerings on funding portals; and other regulators. Further, the information provided on Form Funding Portal expands the amount of publicly available information about funding portals, including disciplinary history. Consequently, the rules and forms allow issuers and the investing public, as well as others, to become more fully informed about funding portals in a more efficient manner.

In addition, the requirement that each funding portal register with the Commission on Form Funding Portal helps ensure that the Commission has information to oversee respondents and their activities in the crowdfunding securities market effectively. In particular, the information provided in Form Funding Portal is used in oversight of funding portals, including, among other things, assessing a funding portal's application and performing examinations of funding portals. Moreover, Form Funding Portal enables the Commission to obtain an accurate estimate of the number of funding portals; analyze data regarding the various types of funding portals; and evaluate the disciplinary history of funding portals and associated persons, including regulatory, civil, and criminal proceedings.

The requirement that a funding portal file amendments to Form Funding Portal helps ensure the availability of up-to-date information about funding portals and their associated persons. In addition, the requirement that a funding portal file Form Funding Portal-W to withdraw from registration informs the Commission that a funding portal is no longer engaging in funding portal activities.

The requirement that a funding portal make and keep books and records helps to ensure that records of the respondent's funding portal activities, as well as the activities of its associated persons, exist. The Commission and other regulators could potentially request books and records during an examination to evaluate the funding portal's compliance with the Exchange Act and the rules thereunder, as well as for other regulatory purposes.

The requirement that a nonresident funding portal complete Schedule C of Form Funding Portal, furnish an agent for service of process, and make certain certifications helps minimize legal or logistical obstacles that the Commission may encounter when attempting to effect service, conserve Commission resources, and avoid potential conflicts of law. The requirement that a nonresident funding portal provide an opinion of counsel on Form Funding Portal helps ensure that such nonresident funding portal can provide access to its books and records and submit to inspection and examination by the Commission.

3. Consideration Given to Information Technology

The rules require respondents and registered funding portals to electronically file Forms Funding Portal, Funding Portal/A, and Funding Portal-W through the Commission's Electronic Data Gathering, Analysis, and Retrieval System ("EDGAR"). By requiring submission of information through EDGAR, Commission staff can efficiently retrieve and analyze the data it needs, which enhances the Commission's ability to carry out its mission with respect to funding portal activities effectively. Issuers, the general public, and others will also be able to access information about funding portals electronically through the Commission's EDGAR system. Information submitted on Form Funding Portal is also ASCII or HTML format, which may improve the Commission staff's ability to retrieve and analyze data and could allow funding issuers, the general public, and others to perform better research into funding portals.

The rules also require funding portals to make and keep books and records relating to its funding portal activities. Rule 404(c) permits funding portals to maintain and preserve the required records on electronic storage media.

4. Duplication

In adopting these rules, the Commission sought to design a registration process that is similar to other registration processes administered by the Commission. The rules are based on rules applicable to broker-dealers and investment advisers; similarly, Form Funding Portal is based on Form BD. To the extent market participants are familiar with these existing registration processes, the Commission believes that using similar processes to register funding portals creates efficiencies for market participants.

Form Funding Portal, while modeled primarily on Form BD, is designed to capture information regarding the activities of funding portals and the markets that they serve that is not otherwise captured in other forms. This information permits the Commission to decide whether to accept an application for registration; to manage the Commission's regulatory and examination programs; and to make such information available to FINRA to better inform its regulation of funding portals. In addition, having information about funding portals in a single location could improve the funding portal selection process.

In addition, requiring funding portals to file a registration form specifically tailored to their funding portal activities is consistent with the broader public interest to make available to the public information about funding portals. The Commission believes that persons seeking to compile, compare, and analyze data pertaining to the entire universe of registered funding portals, and regulators overseeing compliance with the rules and regulations applicable to funding portals, should be able to access relevant information easily within one system.

With respect to the recordkeeping requirements, the Commission has requested documents that are not duplicative to any other Commission requests of funding portals.

5. Effect on Small Entities

The Commission notes that funding portals are required by statute to register with the Commission. As such, the rules and forms affect funding portals required to register with the Commission, including small entities. The Commission does not believe differing compliance or reporting requirements or an exemption from coverage of the final rules and forms, or any part thereof, for small funding portals is appropriate or consistent with investor protection. Because the Commission believes that the protections of Title III of the JOBS Act are intended to apply equally to clients of both large and small funding portals, it would be inconsistent with the purposes of the Exchange Act to specify different requirements for small funding portals under the final rules and forms. Thus, the rules and forms are designed to impose only those burdens necessary to accomplish the objectives of the JOBS Act and minimize any significant adverse impact on small funding portals.

6. Consequences of Not Conducting Collection

The collection of information under the rules and forms is designed to establish a permanent registration regime and establish certain recordkeeping requirements for funding portals, as provided in Title III of the JOBS Act. The permanent registration regime allows the Commission to retrieve and analyze the data it needs more efficiently, which enhances the Commission's ability to carry out its mission with respect to funding portal activities effectively. In addition, the permanent registration regime improves the process through which issuers and investors select funding portals and incentivize funding portals not to engage in misconduct. Absent the collection of information, funding portals would not have a permanent mechanism through which to satisfy the requirement in Section 3(h) of the Exchange Act that the Commission exempt, conditionally or unconditionally, a registered funding portal from the requirement to register as a broker-dealer under Section 15(a)(1) of the Exchange Act. In addition, less frequent collection of this information would not allow the Commission and other regulators, issuers, or investors to access up-to-date information about funding portals.

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

Since Rule 400(b) requires registered funding portals to file amendments to Form Funding Portal if certain information contained in the forms becomes inaccurate, it is possible for a registered funding portal to report information to the Commission more often than quarterly. However, this collection of information is necessary to ensure that the Commission and obligated persons, as well as the public, have access to current information regarding funding portals registered with the Commission.

Rule 404(a) requires funding portals to maintain and preserve books and records for a period of not less than five years, the first two in an easily accessible place. This rule is modeled on Exchange Act Rules 17a-3 and 17a-4, and Rule 204-2 under the Investment Advisers Act, and OMB has previously approved that collection with the same five-year retention period. This collection of information helps to ensure that records exist of the respondent's business activities and of its associated persons, and that the records could potentially be requested by the Commission and other regulators during an examination to evaluate the funding portal's compliance with the Exchange Act, the rules thereunder, and FINRA rules, as well as for other regulatory purposes.

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

Not applicable.

10. Confidentiality

To the extent the Commission receives confidential information pursuant to submissions on Form Funding Portal, such information is kept confidential, subject to the provisions of applicable law (e.g., Freedom of Information Act, 5 U.S.C. § 552 (2012)). In particular, the collection of information may include social security numbers of sole proprietors in Form Funding Portal that do not have an EIN number, as well as the social security numbers and dates of birth of direct owners and executive officers that do not have a CRD number. This information is necessary in connection with the Commission's enforcement and examination functions pursuant to Section 15B(c) of the Exchange Act. Guidance is provided in the forms stating that information, such as social security numbers or dates of births, is not included in publicly available versions of the form.

11. Sensitive Questions

The information collection collects basic elements of PII including name, job title, and work address that is covered by the EDGAR PIA. No information of a sensitive nature, including social security numbers, will be required under this collection of information. Additionally, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act.[4] Information is not retrieved by a personal identifier.

12. Information Collection Burden

The estimated total annual hour burden is 36,315 hours per year, calculated as indicated below.

a. <u>Rule 400: Registration of Funding Portals</u>

i. <u>Form Funding Portal: Application for Funding Portal Registration</u>

The initial application for funding portals under Form Funding Portal is a one-time reporting burden. Based on the data as reported in EDGAR filings and by FINRA, we estimate that there were 75 registered funding portals as of December 31, 2024. Based on EDGAR filings, we estimate that from inception (January 29, 2016) through December 31, 2024, 449 unique portals have filed a new Form Funding Portal, including those that have not, or are not, currently registered. For purposes of this PRA, the Commission estimates approximately 50 companies will submit Form Funding Portal each year.[5] Of those funding portals applicants, over three years we estimate approximately one will be a nonresident funding portal. Of those funding portal applicants, the Commission estimates that the number of new funding portals that complete the registration process each year will be approximately 13.[6]

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4 Previous entries in the ROCIS system included an outdated reference to system of records notice SEC-1, which have been removed.

5 449 / approximately 9 years = approximately 50 companies a year.

6 The number of funding portals expected to complete the registration process is much lower than the number of funding portals who apply. Based on EDGAR filings, we estimate that during the past three years (calendar years 2022-2024), 146 unique portals have filed a new Form Funding Portal, including those that have not, or are not, currently registered. Based on EDGAR filings, we estimate that during the past three years

We estimate the burden for registering as a funding portal with us based upon the existing burdens for completing and filing Form BD.[7] Consequently, we estimate that it takes a resident funding portal 2.75 hours to complete Form Funding Portal. The total hours required for resident funding portals to register with us is approximately 138 hours (137.5 hours rounded up to 138).[8]

In summary, the Commission estimates that, over a three-year period, the total reporting burden for the completion and submission of Form Funding Portal will be 412.5 hours, or 138 hours per year[9] when annualized over three years (IC1).

ii. Registered National Securities Association Membership

The requirement that newly-registered intermediaries be required to become members of a registered national securities association is a one-time third-party disclosure burden. The Commission does not believe the hour burdens and costs associated with FINRA's membership constitute paperwork burdens and costs attributable to the Commission's rules."[10] Therefore, we are not providing estimates of burdens and costs resulting from membership in a registered national securities association.

iii. Form Funding Portal/A: Amendment to Registration

Once registered, funding portals need to file an amended Form Funding Portal when information it originally reported on Form Funding Portal changes or becomes inaccurate. Such amendments are an on-going reporting burden. The Commission estimates that each funding portal registrant will need to submit approximately one amendment per year.[11]

(calendar years 2022-2024), 40 unique portals have become registered with the Commission on Form Funding Portal, including those that are no longer registered/have since withdrawn their registration. 40 unique portals / 3 years = 13.333, rounded down to 13 portals per year

7 *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526 n.1657.

8 2.75 hours/respondent × 50 funding portals = 137.5 hours. In addition, those entities that register as nonresident funding portals will face an additional burden, which is accounted for below. *See infra* A.12.v.

9 (2.75 hours × 50 new funding portals) × 3 = 412.5 hours ÷ 3 = 137.5 hours per year rounded up to 138.

10 *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526.

11 According to data collected from Form Funding Portal, there have been 243 amendments to Form Funding Portal filed in the past three years—81 per year on average. As of the end of 2024, there were 88 registered funding portals. For purposes of this PRA, we have assumed each funding portal files approximately 0.92 amendments a year and only fully registered funding portals have filed amendments. 81/88=0.92. We estimate that the number of funding portals will be 88 in Y1, 101 in Y2, and 114 in Y3. For purposes of this PRA calculation, we assume that there are 101 funding portals each year.

We estimate that the average time necessary to complete an amended Form Funding Portal is approximately 0.33 hours (*i.e.*, 20 minutes per amendment). This figure is based on previous estimates of the average time necessary to complete an amended Form BD, which is a similar form.[12] Thus, we estimate that the total annual burden hours for funding portals to complete and file amended Forms Funding Portal will be approximately 31 hours (30.66 hours rounded up to 31) for each year.[13]

In summary, the Commission estimates that the total ongoing reporting burden to amend Form Funding Portal will be approximately 31 hours per year (IC2).

iv. Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal

We take into consideration funding portals that register to engage in crowdfunding transactions conducted in reliance on Section 4(a)(6) may eventually decide to withdraw their registration. Withdrawal from Form Funding portal is a one-time reporting burden requiring the entity to complete and file with us Form Funding Portal-W. We estimate that approximately five funding portals may choose to withdraw from registration each year.[14]

The Commission estimates that the average amount of time for a funding portal to complete Form Funding Portal-W is 0.25 hours. This figure is based on the burden estimate for completing Form BDW.[15] Thus, the Commission estimates a total burden of 1.25 hours for each year.[16]

In summary, the Commission estimates that, over a three-year period, the total reporting burden for the completion of Form Funding Portal-W will be 3.75 hours, or approximately 1 hour (1.25 hours rounded down to 1) per year[17] when annualized over

12 *See Regulation Crowdfunding*, Exchange Act Release No. Exchange Act Release No. 76324, 80 Fed. Reg. at 71526 n.1663 ("We currently estimate that the average time necessary to complete an amended Form BD to be approximately 20 minutes, or 0.33 hours. We estimate that an amendment to Form Funding Portal will take the same amount of time as an amendment to Form BD because the forms are similar.").

13 (101 funding portals) × 0.92 (amendments per year) × 0.33 hours (estimated time per amendment) = 30.66 hours rounded up to 31.

14 We estimate that of funding portals applicants participating in crowdfunding transactions in reliance on Section 4(a)(6), approximately five will withdraw from registration annually.

15 *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71526 n.1658.

16 0.25 hours (burden for Form Funding Portal-W) × 5 funding portals (estimated number of Form Funding Portal-W applicants per year) = 1.25 hours.

17 (5 funding portals × 0.25 hours) × 3 years = 3.75 hours ÷ 3 = 1.25 hours per year rounded down to 1.

three years. The total reporting burden per respondent is approximately .20 hours per year[18] when annualized over three years (IC3).

v. <u>Form Funding Portal: Completion of Schedule C, Designation of U.S. Agent for Service of Process and Opinion of Counsel for Nonresident</u>

The designation of a U.S. agent for service of process is a one-time reporting burden. The Commission estimates that there will be approximately one nonresident funding portal respondent each year. This nonresident funding portal respondent needs to complete Schedule C of Form Funding Portal (including the required certifications), provide an opinion of counsel, and document the appointment of an agent for service of process.

The Commission estimates that the average amount of time to complete Schedule C of Form Funding Portal and make the required certifications is half an hour, to provide an opinion of counsel on Form Funding Portal is one hour, and to document the appointment of an agent for service of process is a half an hour.[19] Therefore, the total one-time reporting burden for each nonresident funding portal respondent is two hours or approximately 1 hour (.067 rounded up to 1) per year when annualized over three years.

In summary, the Commission estimates that, over a three-year period, the total reporting burden for nonresident funding portal respondents will be 2 hours, or approximately 1 hour (0.67 hours rounded up to 1) per year[20] when annualized over three years. The average burden for each nonresident funding portal will be approximately 2 hours, or 0.67 hours per year[21](IC4).

b. <u>Rule 404: Books and Records to Be Made and Maintained by Funding Portals</u>

The maintenance of books and records is an ongoing annual recordkeeping burden. The Commission estimates that this collection of information will apply to 88 funding portals in the first year, 13 additional funding portals in the second year, and 13 additional funding portals in

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18 1 ÷ by 5 = .20.

19 *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71526.

20 1 (nonresident funding portal expected to register at the end of Y^3) × 2 hours (average estimated time to complete Schedule C, provide opinion of counsel, and document the appointment of an agent for service of process) = 2 hours ÷ 3 = .67 hours per year.

21 6 (estimated additional burden to register over three years) ÷ 3 (estimated number of nonresident funding portals to register over three years) = 2 hours ÷ 3 = 0.67 hours per respondent.

the third year, or an average of 101 funding portals for years one through three.

The Commission estimates that the average annual burden for funding portals to comply with the recordkeeping requirements is approximately 322 hours per respondent.[22] The Commission currently estimates the annual recordkeeping burden for broker-dealer compliance with Rule 17a-3 to be 394.16 hours per respondent, and the most recently approved annual recordkeeping burden for broker-dealer compliance with Rule 17a-4 to be 249 hours per respondent.[23] We expect the burden of the rules will likely be less than that of Rules 17a-3 and 17a-4. For the purposes of the PRA, we assume that the recordkeeping burden, on average, for a funding portal to comply with the rules will be 50% of the burdens of a broker-dealer to comply with Rules 17a-3 and 17a-4. Therefore, we estimate the burden to be 322 hours per respondent, or 32,522 hours per year.[24]

In summary, the Commission estimates that the total recordkeeping burden will be 32,522 hours per year. The total recordkeeping burden per respondent will be 322 hours per year (IC5).

c. <u>Rule 403: Compliance Policies and Procedures</u>

All registered funding portals will be required to implement written policies and procedures reasonably designed to achieve compliance with the federal securities laws and the rules and regulations thereunder. We estimate that the 39 new funding portals will each spend approximately 40 hours to establish written policies and procedures to achieve compliance with these requirements. This will result in an initial recordkeeping burden of 1,560 hours for new funding portals.[25]

We estimate that, on an ongoing basis, 101 funding portals will spend approximately 5 hours per year updating, as necessary, the policies and procedures required by the rules. This will result in an aggregate ongoing recordkeeping burden of 505 hours.[26]

In summary, the Commission estimates that, over a three-year period, the total recordkeeping burden for new funding portals to establish compliance policies and procedures will be 1,560 hours, or 520 per year[27] when annualized over three years (IC6).

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22 394.16 hours (recordkeeping burden for Rule 17a-3) + 249 hours (recordkeeping burden for Rule 17a-4) × 50% = 321.58, rounded up to 322.

23 *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. 71531.

24 322 hours × 101 funding portals = 32,522 hours.

25 40 hours ×39 funding portals = 1,560 hours.

26 Y^1 ongoing burden (5 hours × 88 funding portals) + Y^2 ongoing burden (5 hours × 101 funding portals) + Y^3 ongoing burden (5 hours × 114 funding portals) = 1,515 hours ÷ 3 = 505 hours per year.

27 1,560 hours (total one-time burden) ÷ 3 = 520 hours per year.

The total estimated burden per funding portal will be 40 hours, or 13.33 hours per year[28] when annualized over three years. The total ongoing recordkeeping burden to maintain compliance policies and procedures will be 505 hours per year. The total estimated burden per funding portal will be 5 hours per year (IC7).

d. Rule 403: Compliance Privacy

i. Regulation S-P

We estimate that all funding portals will be subject to the requirements of Regulation S-P under the regulation. In developing an estimate we have considered: (1) the minimal recordkeeping burden imposed by Regulation S-P (Regulation S-P has no recordkeeping requirement, and records relating to customer communications already must be made and retained pursuant to other Commission rules); (2) the summary fashion in which information must be provided to investors in the privacy and opt-out notices required by Regulation S-P (the model privacy form adopted by the Commission and the other agencies in 2009, designed to serve as both a privacy notice and an opt-out notice, is only two pages); and (3) the availability of the model privacy form and online model privacy form builder. Given these considerations and with the aid of our institutional knowledge, we estimate that each funding portal spends, on an ongoing basis, an average of approximately 12 hours per year complying with the information collection requirement of Regulation S-P.

In summary, the Commission estimates that the total third-party disclosure burden for Regulation S-P is 1,212 hours per year.[29] The reporting burden per respondent is 12 hours per year (IC8).

ii. Regulation S-AM

Regulation S-AM will require funding portals to provide a notice to each affected individual informing the individual of his or her right to prohibit such marketing before a receiving affiliate may make marketing solicitations based on the communication of certain consumer financial information from the broker. We estimate that approximately 30 funding portals are already subject to the requirements of Regulation S-AM. For each subsequent year, we estimate that approximately two new funding portals each year will also be subject to the requirements of Regulation S-AM. Accordingly, we estimate the total number of funding portals subject to S-AM will be 36 over three years.[30]

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28 40 hours ÷ 3 = 13.33 hours per respondent.

29 Y^1 ongoing burden (12 hours × 88 funding portals) + Y^2 ongoing burden (12 hours × 101 funding portals) + Y^3 ongoing burden (12 hours × 114 funding portals) = 3,636 hours ÷ 3 = 1,212 hours per year.

30 30 funding portals + 2 (new funding portals Y^1) + 2 (new funding portals in Y^2) + 2 (new funding portals in Y^3) = 36.

We estimate that each new funding portal requires an average one-time burden of one hour to review affiliate marketing practices, for a total of 6 hours over three years.[31] Each new funding portal is required to provide notice and opt-out opportunities to consumers pursuant to the requirements of Regulation S-AM, and we estimate that they will incur an average one-time burden of 18 hours in doing so, for a total estimated burden of 108 hours over three years.[32] Therefore, the total one-time burden for new funding portals is 114 hours.[33]

We estimate that funding portals will incur an ongoing burden related to the requirements of Regulation S-AM to provide notice and opt-out opportunities of approximately 4 hours per respondent per year to create and deliver notices to new investors and record any opt-outs that are received on an ongoing basis, for a total of approximately 136 burden hours per year.[34]

In summary, the Commission estimates that the total one-time third-party disclosure burden for Regulation S-AM is 114 hours, or 38 hours per year[35] when annualized over three years (IC9). The total ongoing third-party disclosure burden for Regulation S-AM is 136 hours per year, or four hours per respondent (IC10).

iii. Regulation S-ID

Regulation S-ID generally requires funding portals to develop and implement a written identity theft prevention program that is designed to detect, prevent and mitigate identity theft in connection with certain existing accounts or the opening of new accounts. We estimate that all funding portals need to comply with Regulation S-ID.

Based on our institutional knowledge, we estimate that the initial burden for funding portals to comply with the applicable portions of Regulation S-ID is (1) 25 hours to develop and obtain board approval of a program; (2) 4 hours to train staff; and (3) 2 hours to conduct an initial assessment of relevant accounts, for a total of 31 hours per funding portal.[36] We estimate

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31 Y^1 initial burden to review marketing practices (1 hour × 2 new funding portals) + Y^2 initial burden to review marketing practices (1 hour × 2 new funding portals) + Y^3 initial burden to review marketing practices (1 hour × 2 new funding portals) = 6 hours.

32 Y^1 initial burden (18 hours × 2 new funding portals) + Y^2 initial burden (18 hours × 2 new funding portals) + Y^3 initial burden (18 hours × 2 new funding portals) = 108 hours.

33 6 hours + 108 hours = 114 hours.

34 Y^1 ongoing burden (4 hours × 32 funding portals) + Y^2 ongoing burden (4 hours × 34 funding portals) + Y^3 ongoing burden (4 hours × 36 funding portals) = 408 hours ÷ 3 = 136 hours per year.

35 114 hours ÷ 3 = 38 hours per year.

36 25 hours + 4 hours + 2 hours = 31 hours.

that all new funding portals incur this one-time burden, resulting in an aggregate time burden of 1,209 hours over three years.[37]

With respect to the requirements of Regulation S-ID, we estimate that the ongoing burden per year will include: (1) 2 hours to periodically review and update the program, review and preserve contracts with service providers and review and preserve any documentation received from service providers; (2) 4 hours to prepare and present an annual report to a compliance director; and (3) 2 hours to conduct periodic assessments to determine if the entity offers or maintains covered accounts for a total of 8 hours,[38] of which we estimate 7 hours will be spent by internal counsel and 1 hour will be spent by a compliance officer. We estimate that all funding portals will incur this ongoing time burden, resulting in an aggregate burden of 808 hours over three years.[39]

In summary, the Commission estimates that the initial recordkeeping burden for funding portals to comply with the applicable portions of Regulation S-ID is 1,209 over a three-year period, or 403 hours per year[40] when annualized over three years (IC11). The ongoing recordkeeping burden for Regulation S-ID is 808 hours per year, or 8 hours per respondent (IC12).

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37 Y^1 one-time burden (31 hours × 13 new funding portals) + Y^2 one-time burden (31 hours × 13 new funding portals) + Y^3 one time burden (31 hours × 13 new funding portals) = 1,209 hours.

38 2 hours + 4 hours + 2 hours = 8 hours.

39 Y^1 ongoing burden (8 hours × 88 funding portals) + Y^2 ongoing burden (8 hours × 101 funding portals) + Y^3 ongoing burden (8 hours × 114 funding portals) = 2,424 hours ÷ 3 = 808 hours per year.

40 1,209 hours ÷ 3 = 403 hours per year.

e. Summary of Hourly Burdens

The table below summarizes the Commission's estimates of the total hourly reporting burden for all respondents under Regulation Crowdfunding.

IC		Nature of Information Collection Burden	Type of Burden	Number of Respondents	Number of Responses Per Year	Time Per Response	Annualized Hourly Burden Estimate Industry-Wide	Small Business Entities Affected[41]
	a.	Rule 400: Registration of Funding Portals						
1	i.	Form Funding Portal: Application for Funding Portal Registration	Reporting	150	1	.92	138	90
	ii.	Registered National Securities Association Membership	Third-Party Disclosure	-	1	-	-	-
2	iii.	Form Funding Portal/A: Amendment to Registration	Reporting	101	.92	.33	31	61
3	iv.	Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal	Reporting	5	1	.25	1	3
4	v.	Form Funding Portal: Designation of U.S. Agent for Service of Process and Opinion of Counsel for Nonresident	Reporting	1	1	.67	1	1
	b.	Rule 404: Books and Records to Be Made and Maintained by Funding Portals Initial	Recordkeeping	88	.333	-	-	53
5		Ongoing	Recordkeeping	101	1	322	32,522	61
6	c.	Rule 403: Compliance Policies and Procedures - Initial Burden	Recordkeeping	39	.333	40	520	8
7		Ongoing Burden	Recordkeeping	101	1	5	505	61
	d.	Rule 403: Compliance Privacy						
8	i.	Regulation S-P	Third-Party Disclosure	101	1	12	1,212	61
9	ii.	Regulation S-AM – Initial Burden	Third-Party Disclosure	6	.333	19	38	4
10		Ongoing Burden	Third-Party Disclosure	34	1	4	136	20
11	iii.	Regulation S-ID – Initial Burden	Recordkeeping	39	.333	31	403	7.8
12		Ongoing Burden	Recordkeeping	101	1	8	808	61
							36,315	

13. Costs to Respondents

The total annual estimated cost burden is $618,293 per year, calculated as described below.

a. Rule 400: Registration of Funding Portals

41 For PRA purposes, the number of small business entities is calculated by multiplying the number of respondents by the 30/50 percentage or 60%.

i. Form Funding Portal: Application for Funding Portal Registration

Not applicable.

ii. Registered National Securities Association Membership

As explained in further detail above, the Commission determined not to provide estimates of burdens and costs resulting from membership in a registered national securities association.[42]

iii. Form Funding Portal/A: Amendment to Registration

Not applicable.

iv. Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal

Not applicable.

v. Form Funding Portal: Designation of U.S. Agent for Service of Process and Obtain an Opinion of Counsel for Nonresident

The Commission estimates that one nonresident funding portal will register over the next three years. These funding portals face an additional initial cost to retain an agent for the service of process and provide an opinion of counsel to register as a nonresident funding portal.

The Commission estimates that this initial cost for nonresident funding portals will be approximately $25,179 to retain an agent for the service of process and provide an opinion of counsel.[43] Over three years, the initial additional cost across all nonresident funding portals will be approximately $25,179.[44]

In summary, the Commission estimates that, over a three-year period, the total additional cost for all nonresident funding portals to retain an agent for service of process, and provide an opinion of counsel is $25,179, or $8,393 per year[45] when annualized over

42 *See supra* 12.a.ii.

43 *See Regulation Crowdfunding*, Exchange Act Release No. 76324, 80 Fed. Reg. at 71527 n.1665.

44 $25,179 × 1 (estimated new nonresident funding portals at the end of Y^3) = $25,179. The Commission originally estimated ongoing costs for retaining an agent for service of process, but after closer review has determined it is not likely that there are ongoing costs for retaining such an agent.

45 $25,179/3 = $8,393 per year.

three years. The total cost per respondent is $8,393[46] per year when annualized over three years (IC4).

b. Rule 404: Books and Records to be Made and Maintained by Funding Portals

We assume that a funding portal's initial recordkeeping cost associated with making and keeping records by a funding portal is not significantly different from the ongoing recordkeeping cost because maintaining such records is consistent each year. The annual recordkeeping cost for broker-dealer compliance with Rule 17a-3 is currently estimated at $5,706.67 per respondent. These ongoing recordkeeping costs reflect the costs of systems and equipment development. The annual recordkeeping cost for broker-dealer compliance with Rule 17a-4 is currently estimated at $5,000 per respondent. Given the more limited scope of a funding portal's business as compared to that of a broker, the more limited scope of the books and records rules, and the fact that funding portals will be required to make, deliver, and store records electronically, we expect the annual recordkeeping cost of the rule requirements is likely less than that of Rules 17a-3 and 17a-4. For purposes of the PRA, we assume that the annual recordkeeping cost on average for a funding portal to comply with the rule requirements that records be made and kept is about 50% less than burdens of a broker-dealer to comply with Rules 17a-3 and 17a-4.

Based on the above, we expect the initial recordkeeping cost for funding portals, therefore, to be approximately $5,350 per respondent,[47] or $208,650 total over three years.[48] We also estimate that the ongoing recordkeeping cost for funding portals will be approximately $5,350 per respondent, or $540,350 per year.[49]

In summary, the Commission estimates that, over a three-year period, the initial total cost for funding portals to comply with Rule 404 is approximately $208,650, or 69,550 per year[50] when annualized over three years (IC13). The cost per respondent is $5,350, or $1,783.33 per year[51] when annualized over three years. The ongoing cost is $540,350 per year, or $5,350 per respondent (IC5).

c. Rule 403: Compliance Policies and Procedures

Not applicable.

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46 $25,179/3 = $8,393 per year.

47 $5,706.67 (recordkeeping cost for Rule 17a-3) + $5,000 (recordkeeping cost for Rule 17a-4) × 50% = $5,353, or approximately $5,350.

48 Y^1 ($5,350 × 13 new funding portals in Y^2) + Y^2 ($5,350 × 13 new funding portals in Y^2) + Y^3 ($5,350 × 13 new funding portals in Y^3) = $208,650.

49 Y1 ($5,350 × 88 funding portals) +Y^2 ($5,350 × 101 funding portals) + Y^3 ($5,350 × 114 funding portals) = $1,621,050 ÷ 3 = $540,350 per year.

50 $208,650 ÷ 3 = $69,550 per year.

51 $5,350 ÷ 3 = $1,783.33 per respondent.

d. Rule 403: Compliance Privacy

Not applicable.

e. Summary of Cost Burdens

The table below summarizes the Commission's estimate of the annual cost burdens for funding portals.

IC		Nature of Information Collection Burden	Type of Burden	Number of Respondents	Number of Responses Per Year	Annualized Cost Estimate Per Response	Annualized Hourly Cost Estimate Industry-Wide	Small Business Entities Affected
	a.	Rule 400: Registration of Funding Portals						
	i.	Form Funding Portal: Application for Funding Portal Registration	Reporting	50	1	-	-	30
	ii.	Registered National Securities Association Membership	Third-Party Disclosure	-	1	-	-	-
	iii.	Form Funding Portal/A: Amendment to Registration	Reporting	101	1.1	-	-	61
	iv.	Form Funding Portal-W: Notice of Withdrawal from Registration as a Funding Portal	Reporting	5	1	-	-	3
4	v.	Form Funding Portal: Designation of U.S. Agent for Service of Process and Opinion of Counsel for Nonresident	Reporting	1	1	$8,393	$8,393	1
13	b.	Rule 404: Books and Records to Be Made and Maintained by Funding Portals Initial	Recordkeeping	39	1	$1,783.33	$69,550	53
5		Ongoing	Recordkeeping	101	1	$5,350	$540,350	61
	c.	Rule 403: Compliance Policies and Procedures – Initial Burden	Recordkeeping	88	.333	-	-	53
		Ongoing Burden	Recordkeeping	101	1	-	-	61
	d.	Rule 403: Compliance Privacy						
	i.	Regulation S-P	Third-Party Disclosure	101	1	-	-	61
	ii.	Regulation S-AM – Initial Burden	Third-Party Disclosure	6	.333	-	-	4
		Ongoing Burden	Third-Party Disclosure	34	1	-	-	20
	iii.	Regulation S-ID – Initial Burden	Recordkeeping	88	.333	-	-	53
		Ongoing Burden	Recordkeeping	101	1	-	-	61
							$618,293	

14. Costs to Federal Government

There will be no additional costs to the Federal Government.

15. Changes in Burden

The total estimated annual time burden decreased from 36,775 hours to 36,315 hours and the total estimated annual cost burden decreased from $671,793 to $618,293. This is primarily due to the fact that the estimated number of successful new funding portal registrations expected in each of the next three years decreased from 25 per year to 13 per year.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the 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. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.