



PAPERWORK REDUCTION ACT SUPPORTING STATEMENT

for the Revision of
Rule 206(4)-7
OMB Control Number 3235-0585

The U.S. Securities and Exchange Commission (“Commission” or “SEC”) submits this information collection request (“ICR”) pursuant to the Paperwork Reduction Act of 1995 (“PRA”), 44 U.S.C. Section 3501 et seq., with the following justification.

1. Necessity of Information Collection

Rule 206(4)-7 under the Investment Advisers Act of 1940 (“Advisers Act”) requires each investment adviser registered with the Commission to (1) adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules, (2) review those compliance policies and procedures annually, and (3) designate a chief compliance officer who is responsible for administering the compliance policies and procedures. The rule is designed to protect investors by fostering better compliance with the securities laws.

On September 3, 2026, the Commission proposed to rescind rule 206(4)-5 (17 CFR 275.206(4)-5) (the “political contribution rule”) under the Advisers Act,¹ which prohibits investment advisers from providing investment advisory services for compensation to a government client for two years after an adviser or any covered associate of the adviser makes a contribution to certain categories of elected officials or candidates, among other prohibitions. As a result of the proposal to rescind rule 206(4)-5, we believe an investment adviser would amend its policies and procedures to reflect the adviser’s change in

¹ See Political Contributions by Certain Investment Advisers, Investment Advisers Act Release No. 6994 (Sept. 3, 2026) [91 FR 57698 (Sept. 10, 2026)].

approach to addressing the risk of engaging in pay-to-play practices.

Rule 206(4)-7 contains “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995.² The title of the collection of information is “Investment Advisers Act rule 206(4)-7, 17 C.F.R. Sec. 275.206(4)-7, Compliance procedures and practices.” This collection of information has been previously approved and then extended by the Office of Management and Budget under control number 3235-0585. This collection of information is found at 17 CFR 275.206(4)-7 and is mandatory.

The collection of information under rule 206(4)-7 is necessary to help ensure that investment advisers maintain comprehensive internal programs that promote the advisers’ compliance with the Advisers Act and its rules. The respondents are investment advisers registered with the Commission. The Commission’s examination and oversight staff may review the information collected to assess investment advisers’ compliance programs.

2. Purpose and Use of Information Collection

The purpose of the information collection requirements in rule 206(4)-7 is to help ensure that investment advisers maintain comprehensive internal programs that promote the advisers’ compliance with the Advisers Act and its rules. The information collection also assists the Commission’s examination staff in assessing the adequacy of advisers’ compliance programs.

3. Use and Consideration of Information Technology

Rule 206(4)-7 does not require advisers or any others to report or file any information with the Commission.

4. Identifying and Minimizing Duplication

Rule 206(4)-7 imposes a broad requirement that advisers have in place written compliance policies and procedures. Other federal securities laws require advisers to maintain written policies and

² 44 U.S.C. 3501, *et seq.*

procedures, including more targeted policies and procedures. Rule 206(4)-7, however, does not require advisers to maintain duplicate copies of records covered by these more targeted requirements. The staff believes, therefore, that any duplication of regulatory requirements is limited and does not impose significant additional costs on advisers.

5. Effect on Small Entities

Registered advisers, regardless of their size, are subject to the requirements in rule 206(4)-7. Comprehensive internal compliance programs are essential for advisers of all sizes. Rule 206(4)-7 affords advisers the flexibility to tailor their compliance program to the nature of their business. Small advisers, which generally have less complex and more limited operations, would likely need less extensive compliance programs than their larger counterparts. Therefore, rule 206(4)-7 should not inappropriately burden small advisers. The staff does not believe it can adjust the rule to lessen the burden on small entities, without jeopardizing the interests of small advisers' clients.

6. Consequences of Not Conducting Collection and Obstacles to Reducing Burden

If registered investment advisers are not required to comply with rule 206(4)-7, it is harder to ensure they maintain comprehensive internal programs that promote the advisers' compliance with the Advisers Act and its rules. Rule 206(4)-7 requires advisers to review their compliance policies and procedures annually. These annual reviews are integral to detecting and correcting any gaps in the program before irrevocable or widespread harm is inflicted upon investors. Extending the time between reviews increases the likelihood that such harm could go unchecked.

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

Not applicable.

8. Public Comment and Consultations Outside the Agency

The Commission requested public comment on the collection of information requirements in rule 206(4)-7 before it submitted this request for a revision to the Office of Management and Budget. The Commission received no comments in response to its request.

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

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality and Privacy

Responses provided to the Commission pursuant to the rule in the context of the Commission's examination and oversight program are generally kept confidential.

11. Collection Questions of a Sensitive Nature

Not applicable.

12. Estimated Time Burden and its Cost Equivalent

Rule 206(4)-7 requires investment advisers registered or required to be registered with the Commission to (1) adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act and its rules, (2) review those compliance policies and procedures annually, and (3) designate a chief compliance officer who is responsible for administering the compliance policies and procedures.³ The rule is designed to protect investors by fostering better compliance with the Advisers Act. The Commission staff uses the collection of information in its examination and oversight program. Responses provided to the Commission in the context of its examination and oversight program generally are kept confidential subject to the provisions of

³ See 17 CFR 275.206(4)-7(a) through (c).

applicable law. This collection of information is mandatory. The following estimates of average burden hours and costs are made solely for purposes of the PRA and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. An investment adviser is required to maintain a copy of its policies and procedures formulated pursuant to rule 206(4)-7 that is in effect, or at any time within the past five years was in effect.⁴

The current approved average time burden is 90 hours per adviser to comply with the rule, with compliance managers performing 65.25 hours and compliance clerks performing 24.75 hours of the work.⁵ Further, based on an estimated 15,441 registered advisers, the current approved estimate for the annual aggregate time burden is 1,389,690 hours, per year.⁶ The current approved estimate is that the hourly wage rate for a compliance manager is \$372, while the hourly wage rate for a compliance clerk is \$84 an hour,⁷ which results in the current approved estimate that the monetized time burden is \$406,901,232,⁸ or \$26,352 per adviser.⁹

When the Commission adopted rule 206(4)-5 in 2010, there were 11,607 registered advisers subject to rule 206(4)-7, and the Commission estimated that the average burden per adviser to comply with rule 206(4)-7 was 80 hours for a total aggregate burden of 928,560 hours.¹⁰ It estimated that firms

⁴ See 17 CFR 275.204-2(a)(17)(i).

⁵ See Investment Advisers Act rule 206(4)-7, 17 CFR Sec. 275.206(4)-7, Compliance procedures and practices, Updated Supporting Statement for PRA Submission (Dec. 5, 2024), *available at* https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202407-3235-017.

⁶ See *id.*

⁷ These cost estimates were derived using our prior wage methodology which was based on SIFMA's *Management & Professional Earnings in the Securities Industry 2013*, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

⁸ (15,441 registered investment advisers x 65.25 hours by compliance managers x \$372 per hour) + (15,441 registered investment advisers x 24.75 hours by compliance clerical staff x \$84 per hour) = \$406,901,232.

⁹ \$406,901,232 / 15,441 advisers = \$26,352.

¹⁰ See Political Contributions by Certain Investment Advisers, Investment Advisers Act Release No. 3043 (July 1, 2010) [75 FR 41018 (July 14, 2010)].

with government clients would spend between 8 hours and 250 hours to implement policies and procedures to comply with the rule, depending on the firm's number of covered associates. Based on its estimate that 1,697 registered advisers would be affected by rule 206(4)-5,¹¹ the Commission estimated that approximately 1,271 smaller firms, 304 medium firms, and 122 larger firms would need to implement political contribution policies and procedures. We further estimated that smaller firms would spend 8 hours, medium firms would spend 125 hours, and larger firms would spend 250 hours, for a total of 78,668 hours,¹² to implement the requisite policies and procedures. This resulted in an estimated total annual aggregate burden for all registered advisers to comply with rule 206(4)-7 of approximately 1,007,228 hours¹³ or 86.78 hours per adviser.¹⁴ Further, the Commission estimated that rule 206(4)-7 would impose initial compliance costs of approximately \$2,352 per smaller firm, approximately \$29,407 per medium firm, and approximately \$58,813 per larger firm, for a total annual aggregate cost of \$19,104,306.¹⁵ The Commission also stated that rule 206(4)-7 would not impose a material ongoing cost burden on advisers, apart from the cost of the burden hours.¹⁶ The current approved average time burden per adviser is 90 hours.¹⁷

¹¹ See *id.*

¹² $(1,271 \times 8 = 10,168) + (304 \times 125 = 38,000) + (122 \times 250 = 30,500) = 78,668$ hours.

¹³ $928,560 \text{ hours} + 78,668 \text{ (burden attributable to rule 206(4)-5)} = 1,007,228$ hours.

¹⁴ $1,007,228 \text{ hours} / 11,607 \text{ registered advisers} = 86.78 \text{ hours/adviser}$. (Note: this number was not included within the 2010 adopting release or subsequent PRA submission to OMB.)

¹⁵ $(1,271 \times \$2,352) + (304 \times \$29,407) + (122 \times \$58,813) = \$19,104,306$.

¹⁶ See Investment Advisers Act rule 206(4)-7, 17 CFR Sec. 275.206(4)-7, Compliance procedures and practices under the Investment Advisers Act of 1940, Updated Supporting Statement for PRA Submission (Aug. 5, 2010), available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201008-3235-007.

¹⁷ See rule 206(4)-7 under the Investment Advisers Act of 1940, General Requirements of Papers and Applications, Updated Supporting Statement for PRA Submission (Dec. 5, 2024), available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202407-3235-017.

As a result of the proposal to rescind rule 206(4)-5, we believe an adviser would amend its policies and procedures to reflect the adviser's change in approach to addressing the risk of engaging in pay-to-play practices. We estimate that an adviser, regardless of size, would incur a one-time initial burden of 2 hours to revise its policies and procedures in response to the proposal. Based on our estimate that 2,091 registered advisers are affected by rule 206(4)-5,¹⁸ we estimate advisers would incur total one-time initial burden of 4,182 hours to amend its requisite policies and procedures.¹⁹ We believe advisers would utilize a financial examiner to perform the revisions at a cost of approximately \$375 per hour,²⁰

¹⁸ This estimate is based on registration information from the Investment Adviser Registration Depository ("IARD system") as of December 2025, incorporating filings received through April 30, 2026. We are applying the same methodology as in the 2009 Proposing Release and the 2010 Adopting Release. According to responses to Item 5.D(i) of Part 1 of Form ADV, 1,518 advisers have clients that are State or municipal government entities, which represents approximately 9.24% of all advisers registered with the Commission (16,434). 14,919 advisers have not responded that they have clients that are State or municipal government entities. Of those, however, responses to Item 5.D(f) of Part 1 of Form ADV indicate that 5,493 advisers have some clients that are other pooled investment vehicles. Estimating that the same percentage of these advisers advise pools with government entity investors as advisers that have direct government entity clients—*i.e.*, 9.24%. Approximately 508 of these advisers would be subject to the rule ($5,493 \times 9.24\% = 508$). Out of the 14,919 advisers that have not responded that they have clients that are State or municipal government entities, after backing out the 5,493 which have clients that are other pooled investment vehicles, responses to Item 5.D(d) of Part 1 of Form ADV indicate that 705 advisers have some clients that are registered investment companies. Estimating that approximately the same percentage of these advisers advise pools with government entity investors as advisers that have direct government entity clients—*i.e.*, 9.24%. Approximately 65 of these advisers would be subject to the rule ($705 \times 9.24\% = 65$). Although we limited the application of rule 206(4)-5 with respect to registered investment companies to those that are investment options of a plan or program of a government entity, we estimate that 65 advisers would have to comply with the recordkeeping provisions because of the difficulty in further delineating this estimated number. Therefore, we estimate that the total number of registered advisers subject to the rule would be: 1,518 advisers with State or municipal clients + 508 advisers with other pooled investment vehicle clients + 65 advisers with registered investment company clients = 2,091 advisers subject to rule. We expect certain additional advisers may incur compliance costs associated with rule 206(4)-5, but we do not have relevant data on these advisers. For example, we anticipate some advisers may be subject to the rule because they solicit government entities on behalf of other investment advisers.

¹⁹ 2,091 advisers x 2 hours = 4,182 hours.

²⁰ To calculate the occupational hourly rates used in this release, the Commission uses occupational mean hourly wage data from the Occupational Employment and Wage Statistics (OEWS) program of the Bureau of Labor Statistics (BLS) for "Securities, Commodity Contracts, and Other Financial Investments and Related Activities" (NAICS 523). See Occupational Employment and Wage Statistics, U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/oes/>; see also Standard Occupational Classification, U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/soc/> (describing occupational classification system used by BLS); Exec. Off. of The President, Off. of Mgmt. & Budget, North American Industry Classification System (2022), available at https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry classification system used by BLS and other agencies). The mean hourly wage for each occupation is adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. See Employment Cost Index, U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/eci/>. The adjusted mean hourly wage is

which would result in an estimated one-time cost burden of \$750 per adviser,²¹ with an estimated total one-time cost burden of \$1,568,250.²²

We are amending the PRA burden as a result of the proposal and to reflect updated data. We estimate that as of December 2025 and incorporating filings received through April 30, 2026, there are 16,434 SEC registered investment advisers. Absent the proposed rescission of rule 206(4)-5, the updated annual aggregate time burden is 1,479,060 hours,²³ and we estimate the updated total hourly burden related to rule 206(4)-5 compliance is 324,194 hours.²⁴ We believe that the proposal would result in a reduction of the average time burden to comply with rule 206(4)-7. Although, an adviser would continue to utilize its policies and procedures to manage its exposure to the risk of pay-to-play practices, it would no longer need to account for the prescriptive requirements of rule 206(4)-5. We believe that approximately 493 smaller firms would spend approximately 1.5 hours, approximately 634 medium firms would spend approximately 50 hours, and approximately 964 larger firms would spend approximately 125 hours to implement policies and procedures to manage the risk of engaging in pay-to-play practices. This would result in approximately 152,939.50 total hours spent implementing the requisite policies and procedures.²⁵ This would result in an estimated total annual aggregate burden for

then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis's annual gross output data for NAICS 523 to total annual wages across all occupations for NAICS 523 in the OEWS data. See Gross Output by Industry, U.S. Bureau of Economic Analysis, available at <https://www.bea.gov/data/industries/gross-output-by-industry>; Occupational Employment and Wage Statistics, U.S. Bureau of Labor Statistics, available at <https://www.bls.gov/oes/>. The final product is the occupational hourly rate. See generally Updated Methodology for Calculating Occupational Hourly Rates (Dec. 19, 2025), available at <https://www.sec.gov/files/method-occupational-hourly-rates.pdf>.

²¹ 2 hours x \$375 = \$750.

²² 2,091 advisers x \$750 = \$1,568,250.

²³ 16,434 advisers x 90 hours = 1,479,060 hours.

²⁴ (493 smaller advisers x 8 hours) + (634 medium firms x 125 hours) + (964 larger firms x 250 hours) = 324,194 hours.

²⁵ (493 small advisers x 1.5 hours) + (634 medium advisers x 50 hours) + (964 large advisers x 125 hours) = 152,939.50 hours.

all registered advisers to comply with rule 206(4)-7 of approximately 1,307,805.50 hours²⁶ or 79.58 hours per adviser.²⁷ Thus, we now estimate that an adviser would have a financial examiner perform 57.71 of its 79.58 burden hours and bookkeeping, accounting, and auditing clerks perform the remaining 21.87 hours of work.²⁸ Our updated data indicates that the hourly wage rate for a financial examiner is \$375, while the hourly wage rate for a bookkeeping, accounting, and auditing clerk is \$167.²⁹ Using the updated hourly wage rates and updated number of advisers, we estimate that rule 206(4)-7 results in a total monetized time burden of approximately \$415,674,036.36,³⁰ or an estimated \$25,293.54 per adviser.³¹

Table 1: Summary of the Annual Number of Respondents, Number of Responses per Respondent, and Average Time Burden per Response

Description	Requested	Previously Approved	Change
Respondents	16,434	15,441	993
Number of Responses per Respondent	1	1	0
Average Time Burden per Response (Hours)	79.58 hours	90 hours	(10.42) hours

²⁶ 1,479,060 hours – 324,194 hours (total burden hours due to the rule 206(4)-5 requirements) = 1,154,866 hours. 1,154,866 hours + 152,939.50 (updated burden attributable to the proposal) = 1,307,805.50 hours.

²⁷ 1,307,805.50 hours / 16,434 advisers = 79.58 hours per adviser.

²⁸ We are revising the title of the profession included within the cost burden calculation. The term financial examiner is replacing the term compliance manager, and the term bookkeeping, accounting, and auditing clerk is replacing the term compliance clerk. Although the title of the profession is changing, the underlying work being performed has not.

²⁹ See *supra* footnote 20.

³⁰ (16,434 registered investment advisers x 57.71 hours by financial examiners x \$375 per hour) + (16,434 registered investment advisers x 21.87 hours by bookkeeping, accounting, and auditing clerk x \$167 per hour) = \$415,674,036.36.

³¹ \$415,674,036.36 / 16,434 advisers = \$25,293.54.

Table 2: Summary of the Annual Number of Responses, Aggregate Time Burden, and Aggregate Monetized Time Burden

Description	Requested	Previously Approved	Change
Responses	16,434	15,441	993
Total Annual Aggregate Time Burden (Hours)	1,307,805.50	1,389,690	(81,884.50)
Monetized Time Burden (Dollars)	\$415,674,036.36	\$406,901,232	\$8,772,804.36

13. Estimated Additional Cost Burden

There is no cost burden other than the cost of the hour burden described above.

14. Annual Cost to the Federal Government

Not applicable.

15. Reasons for Changes in Burden Estimates

We estimate that the annual aggregate time burden associated with rule 206(4)-7 would decrease from 1,389,690 hours to 1,307,805.50 hours, resulting in a decrease of 81,884.50 hours. We estimate that the annual aggregate monetized cost burden would increase from \$406,901,232 to \$415,674,036.36, resulting in an increase of \$8,772,804.36. The decrease in the estimated annual aggregate time burden is due to the impact on rule 206(4)-7 of the proposal to rescind rule 206(4)-5. The estimated increase in the annual aggregate cost burden is due an increase in the estimated number of SEC registered investment advisers and the change in the occupational wage methodology.

16. Plans for Publishing Results

Not applicable.

17. Approval to Omit Display of OMB Expiration Date

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

Not applicable.