

**PAPERWORK REDUCTION ACT SUBMISSION**  
**FOR RULES UNDER THE SECURITIES ACT OF 1933,**  
**SECURITIES EXCHANGE ACT OF 1934**  
**DODD-FRANK WALL STREET REFORM AND**  
**CONSUMER PROTECTION ACT**

**SUPPORTING STATEMENT**

This supporting statement is part of a submission under the Paperwork Reduction Act of 1995, 44 U.S.C. §3501, et seq.

**A. JUSTIFICATION**

**1. NECESSITY OF INFORMATION COLLECTION**

In Release No. 33-9175,<sup>1</sup> the Securities and Exchange Commission (the “Commission”) adopted amendments to certain rules and form requirements to implement Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“the Act”) relating to asset-backed securities (“ABS”). The amendments are designed to implement the requirements of Section 943 of the Act by providing investors with information regarding the use of representations and warranties in the ABS markets.<sup>2</sup>

The amendments contain “collection of information” requirements within the meaning of the Paperwork Reduction Act of 1995. The titles for the collections of information contained by the amendments are:

- “Form ABS-15G” (a new collection of information);
- “Regulation S-K” (OMB Control No. 3235-0071); and
- “Rule 17g-7” (a new collection of information).<sup>3</sup>

“Form ABS-15G” and “Rule 17g-7” are new collections of information created by the new rules. Form ABS-15G will contain disclosures required by new Rule 15Ga-1 that would require securitizers to provide disclosure regarding fulfilled and unfulfilled repurchase requests with respect to asset-backed securities, as required by the Act (“Exchange Act-ABS”). Rule 17g-7 will require nationally recognized statistical rating organizations (“NRSROs”) to provide disclosure regarding the representations, warranties and enforcement mechanisms available to investors in any report accompanying a credit rating issued by an NRSRO in connection with an Exchange Act-ABS transaction.<sup>4</sup>

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<sup>1</sup> Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Release No. 33-9175 (January 26, 2011) [76 FR 4489].

<sup>2</sup> See Section I. of Release No. 33-9175.

<sup>3</sup> As noted in Section IV. of Release No. 33-9175 and also below (#12 and #13), we believe that the proposed amendments would not change the burden hours and costs associated with Regulation S-K.

<sup>4</sup> The burden hours and cost burden for Rule 17g-7 is being addressed in a separate supporting statement to OMB for final approval.

## **2. PURPOSES AND USE OF THE INFORMATION COLLECTION**

The purpose of the new collections of information is to implement the disclosure requirements of Section 943 of the Act to provide information regarding the use of representations and warranties in the ABS markets

## **3. CONSIDERATION GIVEN TO INFORMATION TECHNOLOGY**

Form ABS-15G is required to be filed electronically with the Commission using Commission's Electronic Data Gathering and Retrieval (EDGAR) system.

## **4. DUPLICATION**

We are not aware of any rules that conflict with or substantially duplicate the new rules.

## **5. EFFECT ON SMALL ENTITIES**

The amendments would not impact a significant number of small entities. Rules in the Securities Act and Exchange Act define an issuer, other than an investment company, to be a "small business" or a "small organization" if it had total assets of \$5 million or less on the last day of its most recent fiscal year. As the depositor and issuing entity are most often limited purpose entities in an ABS transaction, we focused on the sponsor in analyzing the potential impact on small entities. Based on our data, we only found one sponsor that could meet the definition of a small broker-dealer.

## **6. CONSEQUENCES OF NOT CONDUCTING COLLECTION**

The objectives of offering disclosure requirements under the Securities Act and the ongoing disclosure requirements under the Exchange Act could not be met with less frequent collection of this information for asset-backed securities.

## **7. INCONSISTENCIES WITH GUIDELINES IN 5 CFR 1320.5(d)(2)**

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

## **8. CONSULTATIONS OUTSIDE THE AGENCY**

In the Proposing Release, the Commission solicited comment on the new "collection of information" requirements and associated paperwork burdens.<sup>5</sup> The Commission considered all comments received; although it did not receive any comment letters that addressed the burden analysis and estimates related to Form ABS-15G contained in the

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<sup>5</sup> Disclosure for Asset-Backed Securities Required by Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Release No. 33-9148 (October 4, 2010) [75 FR 6278] (the "Proposing Release").

Proposing Release. However, the Commission made several changes to the proposed rules in response to comments on the substance of the proposals that are designed to avoid potential unintended consequences and reduce possible additional costs or burden to respondents. For example, in response to comment letters regarding the difficulty of monthly reporting, the Commission revised the proposed rules to require quarterly periodic reporting requirement. The new rules also permit a securitizer to suspend its reporting obligation as long as it has no repurchase activity for the reporting period; however, a securitizer would still have to provide an annual confirmation that no disclosure is required under Rule 15Ga-1 by checking a box on new Form ABS-15G. As a result, we adjusted our PRA estimates to reflect changes from the proposed rules. The public can review comments at <http://www.sec.gov/comments/s7-24-10/s72410.shtml>.

## **9. PAYMENT OR GIFT**

The respondents receive no payments or gifts.

## **10. ASSURANCE OF CONFIDENTIALITY**

Form ABS-15G would be made publicly available.

## **11. SENSITIVE QUESTIONS**

No information of a sensitive nature is required under the rule.

## **12. AND 13. BURDEN OF INFORMATION COLLECTION AND COSTS TO RESPONDENTS**

The paperwork burden estimates associated with the new rules include the burdens attributable to collecting, preparing, reviewing and retaining records. For Form ABS-15G, the burden also includes filing the information with the Commission on EDGAR.

Our PRA burden estimates for the amendments are based on information that we receive on entities assigned to Standard Industrial Classification Code 6189, the code used with respect to asset-backed securities, as well as information from outside data sources.<sup>6</sup> When possible, we base our estimates on an average of the data that we have available for years 2004, 2005, 2006, 2007, 2008, and 2009.

### **a. Form ABS-15G**

Form ABS 15G is a new collection of information relating to new disclosure requirements for securitizers that offer Exchange Act-ABS. Under the new rules, such securitizers are required to disclose demand, repurchase and replacement history with respect

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<sup>6</sup> We rely on two outside sources of ABS issuance data. We use the ABS issuance data from Asset-Backed Alert on the initial terms of offerings, and we supplement that data with information from Securities Data Corporation (SDC).

to pool assets across all trusts aggregated by securitizer. We had proposed that the new information be required at the time a securitizer offers Exchange Act-ABS after the implementation of the new rule, and then monthly, on an ongoing basis as long as the securitizer has Exchange Act-ABS outstanding held by non-affiliates. Instead, we are adopting that the new information be required for all securitizers that offered Exchange Act-ABS during the three-year period ending December 31, 2011, and that have Exchange Act-ABS outstanding that are held by non-affiliates. Going forward, periodic disclosures will be required on a quarterly basis. We are also permitting securitizers to suspend quarterly reporting so long as they have no activity for the quarterly period; however a securitizer is required, annually, to confirm that they had no activity for the year. The disclosures are required to be filed on EDGAR on new Form ABS-15G, except that municipal securitizers may satisfy their reporting obligations by filing their disclosures on the Electronic Municipal Market Access (EMMA) website. As we discussed in the Proposing Release, we believe that the costs of implementation would include costs of collecting the historical information, software costs, costs of maintaining the required information, and costs of preparing and filing the form. Although the new requirements apply to securitizers, which by definition include both sponsors and issuers, we base our estimates on the number of unique ABS sponsors because we are also providing under the final rule that issuers affiliated with a sponsor would not have to file a separate Form ABS-15 G to provide the same Rule 15Ga-1 disclosures.

Our estimates in the Proposing Release were based on the number of unique ABS securitizers (i.e., sponsors) over 2004-2009, which was 540, for an average of 90 unique securitizers per year.<sup>7</sup> We base our burden estimates for this collection of information on the assumption that most of the costs of implementation would be incurred before the securitizer files its first Form ABS-15G. Because ABS issuers currently have access to systems that track the performance of the assets in a pool we believe that securitizers should also have access to information regarding whether an asset had been repurchased or replaced. However, securitizers may not have historically collected the information and systems may not currently be in place to track when a demand has been made, and in particular, systems may not be in place to track those demands made by investors upon trustees. Therefore, securitizers would incur a one-time cost to compile historical information in systems. Furthermore, the burden to collect and compile the historical information may vary significantly between securitizers, due to the number of asset classes and number of ABS issued by a securitizer.

For the initial filing, we estimate that 270 unique securitizers would be required to file Form ABS-15G.<sup>8</sup> We estimate that a securitizer would incur a one-time setup cost for the initial filing of 852 hours to collect and compile historical information and adjust its existing systems to collect and provide the required information going forward.<sup>9</sup> Therefore,

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<sup>7</sup> We base the number of unique sponsors on data from SDC.

<sup>8</sup> We estimate 270 securitizers for the three-year period from January 1, 2009- December 31, 2011, the look back period for the initial disclosures, (90 unique securitizers X 3 years). Also, as noted above, municipal securitizers will not be subject to Rule 15Ga-1 until three years after the implementation date for other securitizers. For purposes of the PRA, however, we have calculated the burden estimates as if the rule was fully phased in for all companies.

<sup>9</sup> The value of 852 hours for setup costs is based on staff experience. In the Proposing Release, we estimated that 672 of those hours will be to set up systems to track the information and is calculated using an

we estimate that it would take a total of 230,040 hours for a securitizer to set up the mechanisms to file the initial Rule 15Ga-1 disclosures.<sup>10</sup> We allocate 75% of these hours (172,530 hours) to internal burden for all securitizers. For the remaining 25% of these hours (57,510 hours), we use an estimate of \$400 per hour for external costs for retaining outside professionals totaling \$23,004,000.

After a securitizer has made the necessary adjustments to its systems in connection with the new rule and, after an initial filing of Form ABS-15G disclosures has been made, securitizers will have to file Form ABS-15G on a quarterly basis, unless it suspends its reporting obligation. We estimate that each subsequent quarterly filing of Form ABS-15G to disclose ongoing information by a securitizer will take approximately 30 hours to prepare, review and file. We estimate, for PRA purposes, that the average number of quarterly Form ABS-15G filings per year will be 720.<sup>11</sup>

Therefore, after the initial filing is made, we estimate the total annual burden hours for preparing and filing the disclosure will be 21,600 hours.<sup>12</sup> We allocate 75% of those hours (16,200 hours) to internal burden hours for all securitizers and 25% of those hours (5,400 hours) for professional costs totaling \$400 per hour of external costs of retaining outside professionals totaling \$ 2,160,000.

In addition, securitizers that have suspended their quarterly reporting obligation are required to file one annual confirmation that no repurchase activity has occurred for the calendar year. We estimate an average of 90 confirmation filings per year.<sup>13</sup> We estimate that each annual filing to confirm that no activity occurred on Form ABS-15G will take approximately 5 hours to prepare, review and file, therefore we estimate the total annual burden hours to be 450.<sup>14</sup> We allocate 75% of those hours (338 hours) to internal burden

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estimate of two computer programmers for two months, which equals 21 days per month times two employees times two months times eight hours per day.

<sup>10</sup> 852 hours to adjust existing systems per securitizer X 270 average number of unique securitizers.

<sup>11</sup> The Form ABS-15G is required to be filed on a quarterly basis; however, based on comments received that securitizers of certain asset classes would be able to immediately suspend the quarterly reporting requirement because they have not received demands for repurchase and data available, we are estimating that 90 securitizers would be able to suspend their quarterly reporting requirement after filing the initial filing. Therefore, we estimate that 180 securitizers would be subject to the quarterly reporting requirement (270 – 90). As a result, we expect 720 quarterly filings of Form ABS-15G per year (180 X 4 quarterly filings per year). We assume that the number of quarterly filings will remain the same in the second and third years after implementation because we estimate that the average number of new securitizers that will trigger the reporting obligation each year will be 90, but we also use the same estimate of 90 securitizers that would be able to suspend its quarterly reporting requirement, resulting in no increase in the number of securitizers or quarterly filings.

<sup>12</sup> 30 hours X 720 filings.

<sup>13</sup> Because the first annual confirmation filing would not be due until February 2013, we estimate no annual filings in the first year of implementation. In the second year of implementation we estimate 90 securitizers will file the annual confirmation. In the third year, we estimate that 180 securitizers will file the annual confirmation. The total number of annual confirmations filed would be 270 over three years, therefore we estimate for PRA purposes, an annual average of 90 filings.

<sup>14</sup> 5 hours X 90 filings.

hours for all securitizers and 25% of those hours (113 hours) for professional costs totaling \$400 per hour of external costs of retaining outside professionals totaling \$ 45,000.

Therefore, the total internal burden hours are 189,068<sup>15</sup> and the total external costs are \$25,209,000.<sup>16</sup> The increase from our original burden estimate in the Proposing Release is primarily due to the change in the trigger for the initial filing requirement. However, we have significantly reduced the burden estimate on a going forward basis by requiring quarterly, instead of monthly filings, as proposed, as well as permitting securitizers to suspend the quarterly reporting obligation.

**b. Regulation S-K**

Regulation S-K, which includes the item requirements in Regulation AB, contains the requirements for disclosure that an issuer must provide in filings under both the Securities Act and the Exchange Act. In 2004, we noted that the collection of information requirements associated with Regulation S-K as it applies to ABS issuers are included in Form S-1, Form S-3, Form 10-K and Form 8-K.<sup>17</sup>

The amendments would make revisions to Regulation S-K. The collection of information requirements, however, are reflected in the burden hours estimated for the various Securities Act and Exchange Act forms related to ABS issuers. The rules in Regulation S-K do not impose any separate burden. Consistent with historical practice, we have retained an estimate of one burden hour to Regulation S-K for administrative convenience.

**c. Summary of Changes to Annual Burden Compliance in Collection of Information**

The table below illustrates the annual compliance burden of the collection of information in hours and costs for the new disclosure requirements for securitizers.

| Form                | Current Annual Responses | Annual Responses | Current Burden Hours | Decrease or Increase in Burden Hours | Burden Hours | Current Professional Costs | Decrease or Increase in Professional Costs | Professional Costs |
|---------------------|--------------------------|------------------|----------------------|--------------------------------------|--------------|----------------------------|--|--------------------|
| <b>Form ABS-15G</b> | -                        | 810              | -                    | 189,068                              | 189,068      | -                          | 25,209,000                                 | 25,209,000         |

**14. FEDERAL GOVERNMENT COSTS**

We estimate that the cost of preparing the amendments will be approximately \$100,000.

<sup>15</sup> 172,530 hours + 16,200 hours + 338 hours.

<sup>16</sup> \$23,004,000 + \$2,160,000 + \$45,000.

<sup>17</sup> See Asset-Backed Securities, SEC Release 33-8518 (December 22, 2004) [70 FR 1506].

## **15. CHANGES IN BURDEN**

The final rules in Release No. 33-9175 implement the requirements of Section 943 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new burden of Form ABS-15G is necessary to implement Section 943(2) which requires securitizers to disclose fulfilled and unfulfilled repurchase requests relating to representations and warranties so that investors may identify asset originators with clear underwriting deficiencies. Form ABS-15G would result in 189,068 burden hours and a cost burden of \$25,209,000 for services of outside professionals.

## **16. INFORMATION COLLECTION PLANNED FOR STATISTICAL PURPOSES**

Not applicable. The information is not published for statistical use.

## **17. DISPLAY OF OMB APPROVAL DATE**

The Commission is not seeking an approval from OMB to not display the information collection's expiration date.

## **18. EXCEPTIONS TO CERTIFICATION FOR PAPERWORK REDUCTION ACT SUBMISSION**

This collection complies with the requirements in 5 CFR 1320.9.

## **B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection of information does not involve statistical methods.