

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

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”).<sup>4</sup> 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.

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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 Form ABS-15G 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**

Rule 17g-7 disclosure is not required to be filed with the Commission.

## **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. Currently there are two NRSROs that are classified as “small” entities. As noted above, we are not prescribing how an NRSRO must fulfill its responsibility to compare the terms of a deal to those of similar securities.

## **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)**

None.

## **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> We received one comment letter addressing our PRA burden estimates for Rule 17g-7, as proposed. The commentator argued that our PRA estimate of 10 hours underestimated the time that NRSROs would need

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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”).

to gather all of the information to conduct the comparisons required by the rule and requested an adequate transition period in order to prepare to comply with the rule.<sup>6</sup> The comment letter, however, did not acknowledge the additional burden estimates that we provided for in the Proposing Release. In addition to the estimated 10 hours per transaction to compare the terms of the current transaction to the benchmarks, cited by the commentator, we also estimated an initial burden of 3,000 hours to set up systems to establish benchmarks and an additional 3,000 hours per year to revise the various benchmarks. Because we believe these estimates adequately estimate the burden imposed by Rule 17g-7, we are not revising our estimates with respect to Rule 17g-7. The public can review comments at <http://www.sec.gov/comments/s7-24-10/s72410.shtml>.

## **9. PAYMENT OR GIFT**

Not applicable.

## **10. ASSURANCE OF CONFIDENTIALITY**

Rule 17g-7 disclosure is not filed with the Commission; such disclosure would be provided in any report accompanying a credit rating by an NRSRO in connection with an Exchange Act-ABS transaction.

## **11. SENSITIVE QUESTIONS**

Not applicable.

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

The paperwork burden estimates associated with the amendments include the burdens attributable to collecting, preparing, reviewing and retaining records.

Our PRA burden estimates for the proposed 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>7</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. Rule 17g-7**

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<sup>6</sup> See letter from Fitch. The public comments we received are available on our website at <http://sec.gov/comments/s7-24-10/s72410.shtml>.

<sup>7</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).

This new collection of information relates to new disclosure requirements for NRSROs. Under new Rule 17g-7, an NRSRO is required to disclose, in any report accompanying a credit rating in an asset-backed securities offering, the representations, warranties and enforcement mechanisms available to investors and describe how they differ from those in issuances of similar securities. The following summarizes the burden estimates for Rule 17g-7 that we provided in the Proposing Release. We estimated it would take 1 hour per ABS transaction to review the relevant disclosures prepared by an issuer, which an NRSRO would presumably have reviewed as part of the rating process, and convert those disclosures into a format suitable for inclusion in any report to be issued by an NRSRO. We noted our expectation that an NRSRO would incur an initial setup cost to collect, maintain and analyze previous issuances to establish benchmarks as well as an ongoing cost to review the benchmarks to ensure that they remain appropriate. We estimated that the initial review and set up system cost will take 100 hours and that NRSROs will spend an additional 100 hours per year revising the various benchmarks. Therefore, we estimated it would take a total of 3,000 hours<sup>8</sup> for NRSROs to set up systems and an additional 3,000 hours per year revising various benchmarks.<sup>9</sup>

On a deal-by-deal basis, we estimated it would take an NRSRO 10 hours per ABS transaction to compare the terms of the current deal to those of similar securities. Because NRSROs would need to provide the disclosures in connection with the issuance of a credit rating on a particular offering of ABS, we based our estimates on an annual average of 2,067 ABS offerings.<sup>10</sup> We also assigned four to the number of credit ratings per issuance of ABS, based on an average of two NRSROs preparing two reports (pre-sale and final) for each transaction. Therefore, we estimated that it would take a total of 90,948 hours, annually, for NRSROs to provide the new Rule 17g-7 disclosures.<sup>11</sup> As noted above, we received one comment letter regarding our PRA estimate for Rule 17g-7,<sup>12</sup> and as we discuss above, we are not adjusting our PRA estimates with respect to Rule 17g-7.

#### **b. 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 proposed disclosure requirements for NRSROs.

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<sup>8</sup> 100 hours X 30 NRSROs.

<sup>9</sup> 100 hours X 30 NRSROs.

<sup>10</sup> The annual average number of registered offerings was 958 and the annual average number of Rule 144A ABS offerings was 716 for an estimated annual average of 1,674 over the period 2004-2009. See Section X. of Asset Backed Securities, SEC Release No. 33-9117 (Apr. 7, 2010) [75 FR 23328] (the “2010 ABS Proposing Release”). We also add 393 to estimate for offerings under other exemptions that were not within the scope of the 2010 ABS Proposing Release. Thus, in total we use an estimated annual average number of 2,067 ABS offerings for the basis of our PRA burden estimates.

<sup>11</sup> 4 reports X 2,067 ABS offerings X 11 hours (1 hour to review disclosures + 10 hours to compare and prepare).

<sup>12</sup> See letter from Fitch.

Form	Current Annual Responses	Proposed Annual Responses	Current Burden Hours	Decrease or Increase in Burden Hours	Proposed Burden Hours	Current Professional Costs	Decrease or Increase in Professional Costs	Proposed Professional Costs
Rule 17g-7	-	8,268	-	96,948	96,948		-	-

**14. FEDERAL GOVERNMENT COSTS**

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

**15. CHANGES IN BURDEN**

The amendments 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 Rule 17g-7 is necessary to implement Section 943(1) which requires nationally recognized statistical rating organizations to provide disclosures on the use of representations, warranties and enforcement mechanisms in the market for asset-backed securities. Rule 17g-7 would result in an increase of 96,948 burden hours.

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

Not applicable.

**17. DISPLAY OF OMB APPROVAL DATE**

Not applicable.

**18. EXCEPTIONS TO CERTIFICATION FOR PAPERWORK REDUCTION ACT SUBMISSIONS**

Not applicable.

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

Not applicable.