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SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-10826; 34-89671 / August 26, 2020]

Order Making Fiscal Year 2021 Annual Adjustments to Registration Fee Rates

I. Background

The Commission collects fees under various provisions of the securities laws. Section 6(b) of the Securities Act of 1933 ("Securities Act") requires the Commission to collect fees from issuers on the registration of securities.[1] Section 13(e) of the Securities Exchange Act of 1934 ("Exchange Act") requires the Commission to collect fees on specified repurchases of securities.[2] Section 14(g) of the Exchange Act requires the Commission to collect fees on specified proxy solicitations and statements in corporate control transactions.[3] These provisions require the Commission to make annual adjustments to the applicable fee rates.

II. Fiscal Year 2021 Annual Adjustment to Fee Rates

Section 6(b)(2) of the Securities Act requires the Commission to make an annual adjustment to the fee rate applicable under Section 6(b).[4] The annual adjustment to the

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1 15 U.S.C. 77f(b).

2 15 U.S.C. 78m(e).

3 15 U.S.C. 78n(g).

4 15 U.S.C. 77f(b)(2). The annual adjustments are designed to adjust the fee rate in a given fiscal year so that, when applied to the aggregate maximum offering price at which securities are proposed to be offered for the fiscal year, it is reasonably likely to produce total fee collections under Section 6(b) equal to the "target fee collection amount" specified in Section 6(b)(6)(A) for that fiscal year.

fee rate under Section 6(b) of the Securities Act also sets the annual adjustment to the fee rates under Sections 13(e) and 14(g) of the Exchange Act.[5]

Section 6(b)(2) sets forth the method for determining the annual adjustment to the fee rate under Section 6(b) for fiscal year 2021. Specifically, the Commission must adjust the fee rate under Section 6(b) to a "rate that, when applied to the baseline estimate of the aggregate maximum offering prices for [fiscal year 2021], is reasonably likely to produce aggregate fee collections under [Section 6(b)] that are equal to the target fee collection amount for [fiscal year 2021]." That is, the adjusted rate is determined by dividing the "target fee collection amount" for fiscal year 2021 by the "baseline estimate of the aggregate maximum offering prices" for fiscal year 2021.

III. Target Fee Collection Amount for FY 2021

The statutory "target fee collection amount" for fiscal year 2021 and "each fiscal year thereafter" is "an amount that is equal to the target fee collection amount for the prior fiscal year, adjusted by the rate of inflation." The target fee collection amount for fiscal year 2020 was $705,000,000. To adjust the fiscal year 2020 target fee collection amount by the rate of inflation to determine the fiscal year 2021 target fee collect amount, the Commission has determined that it will use an approach similar to one that it uses to annually adjust civil monetary penalties by the rate of inflation.[6] Under this approach,

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5 15 U.S.C. 78m(e)(4) and 15 U.S.C. 78n(g)(4).

6 The Commission annually adjusts for inflation the civil money penalties that can be imposed under the statutes administered by Commission, as required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, pursuant to guidance from the Office of Management and Budget ("OMB"). See OMB December 16, 2019 Memorandum for the Heads of Executive Departments and Agencies," M-20-05, on "Implementation of Penalty Inflation Adjustments for 2020, Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015."

the Commission will use the Consumer Price Index for All Urban Consumers ("CPI-U"), not seasonally adjusted, rounded to five decimal places, in calculating the target fee collection amount, which is then rounded to the nearest whole dollar. The calculation for the fiscal year 2021 target fee collection amount is described in more detail below.

The most recent CPI-U index value, not seasonally adjusted, available for use by the Commission is for June 2020. This value is 257.797.[7] The CPI-U index value, not seasonally adjusted, for June 2019 is 256.143.[8] Dividing the June 2020 value by the June 2019 value and rounding to five decimal places yields a multiplier value of 1.00646. Multiplying the fiscal year 2020 target fee collection amount of $705,000,000 by the multiplier value of 1.00646 and rounding to the nearest whole dollar yields a fiscal year 2021 target fee collection amount of $709,554,300.

Section 6(b)(6)(B) defines the "baseline estimate of the aggregate maximum offering prices" for fiscal year 2021 as "the baseline estimate of the aggregate maximum offering price at which securities are proposed to be offered pursuant to registration statements filed with the Commission during [fiscal year 2021] as determined by the Commission, after consultation with the Congressional Budget Office and the Office of Management and Budget . . . ."

To make the baseline estimate of the aggregate maximum offering price for fiscal year 2021, the Commission is using the methodology it has used in prior fiscal years and that was developed in consultation with the Congressional Budget Office and the Office

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[7] This was announced on July 14, 2020. See https://www.bls.gov/news.release/archives/cpi_07142020.htm.

[8] See Supplemental Tables, "CPI-U News Release Companion File" from the July 14, 2020 press release.

of Management and Budget ("OMB").[9] Using this methodology, the Commission determines the "baseline estimate of the aggregate maximum offering price" for fiscal year 2021 to be $6,506,143,522,561. Based on this estimate and the fiscal year 2021 target fee collection amount, the Commission calculates the fee rate for fiscal 2021 to be $109.10 per million. This adjusted fee rate applies to Section 6(b) of the Securities Act, as well as to Sections 13(e) and 14(g) of the Exchange Act.

IV. Effective Dates of the Annual Adjustments

The fiscal year 2021 annual adjustments to the fee rates applicable under Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act will be effective on October 1, 2020.[10]

V. Conclusion

Accordingly, pursuant to Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act,[11]

IT IS HEREBY ORDERED that the fee rates applicable under Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act shall be $109.10 per million effective on October 1, 2020.

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[9] Appendix A explains how we determined the "baseline estimate of the aggregate maximum offering price" for fiscal year 2021 using our methodology, and then shows the arithmetical process of calculating the fiscal year 2021 annual adjustment based on that estimate. The appendix includes the data used by the Commission in making its "baseline estimate of the aggregate maximum offering price" for fiscal year 2021.

[10] 15 U.S.C. 77f(b)(4), 15 U.S.C. 78m(e)(6) and 15 U.S.C. 78n(g)(6).

[11] 15 U.S.C. 77f(b), 78m(e) and 78n(g).

By the Commission.

Vanessa A. Countryman,
Secretary.

APPENDIX A

Congress has established a target amount of monies to be collected from fees charged to issuers based on the value of their registrations. This appendix provides the formula for determining such fees, which the Commission adjusts annually. Congress has mandated that the Commission determine these fees based on the "aggregate maximum offering prices," which measures the aggregate dollar amount of securities registered with the Commission over the course of the year. In order to maximize the likelihood that the amount of monies targeted by Congress will be collected, the fee rate must be set to reflect projected aggregate maximum offering prices. As a percentage, the fee rate equals the ratio of the target amounts of monies to the projected aggregate maximum offering prices.

For 2021, the Commission has estimated the aggregate maximum offering prices by projecting forward the trend established in the previous decade. More specifically, an auto-regressive integrated moving average ("ARIMA") model was used to forecast the value of the aggregate maximum offering prices for months subsequent to July 2020, the last month for which the Commission has data on the aggregate maximum offering prices.

The following sections describe this process in detail.

A. Baseline estimate of the aggregate maximum offering prices for fiscal year 2021.

First, calculate the aggregate maximum offering prices (AMOP) for each month in the sample (July 2010 - July 2020). Next, calculate the percentage change in the AMOP from month to month.

Model the monthly percentage change in AMOP as a first order moving average process. The moving average approach allows one to model the effect that an exceptionally high (or low) observation of AMOP tends to be followed by a more "typical" value of AMOP.

Use the [estimated moving average] [ARIMA] model to forecast the monthly percent change in AMOP. These percent changes can then be applied to obtain forecasts of the total dollar value of registrations. The following is a more formal (mathematical) description of the procedure:

1. Begin with the monthly data for AMOP. The sample spans ten years, from July 2010 to July 2020.

2. Divide each month's AMOP (column C) by the number of trading days in that month (column B) to obtain the average daily AMOP (AAMOP, column D).

3. For each month t, the natural logarithm of AAMOP is reported in column E.

4. Calculate the change in log(AAMOP) from the previous month as $\Delta_t = \log(\text{AAMOP}_t) - \log(\text{AAMOP}_{t-1})$. This approximates the percentage change.

5. Estimate the first order moving average model $\Delta_t = \alpha + \beta e_{t-1} + e_t$, where e_t denotes the forecast error for month t. The forecast error is simply the difference between the one-month ahead forecast and the actual realization of Δ_t. The forecast error is expressed as $e_t = \Delta_t - \alpha - \beta e_{t-1}$. The model can be estimated using standard

commercially available software. Using least squares, the estimated parameter values are $\alpha = 0.0070920641$ and $\beta = 0.8803315102$.

6. For the month of August 2020 forecast $\Delta_{t = 8/2020} = \alpha + \beta e_{t = 7/2020}$. For all subsequent months, forecast $\Delta_t = \alpha$.

7. Calculate forecasts of log(AAMOP). For example, the forecast of log(AAMOP) for October 2020 is given by $FLAAMOP_{t = 10/2020} = \log(AAMOP_{t = 7/2020}) + \Delta_{t = 8/2020} + \Delta_{t = 9/2020} + \Delta_{t = 10/2020}$.

8. Under the assumption that e_t is normally distributed, the n-step ahead forecast of AAMOP is given by $\exp(FLAAMOP_t + \sigma_n^2/2)$, where σ_n denotes the standard error of the n-step ahead forecast.

9. For October 2020, this gives a forecast AAMOP of $24.705 billion (Column I), and a forecast AMOP of $543.503 billion (Column J).

10. Iterate this process through September 2021 to obtain a baseline estimate of the aggregate maximum offering prices for fiscal year 2021 of $6,506,143,522,561.

B. Using the forecasts from A to calculate the new fee rate.

1. Using the data from Table A, estimate the aggregate maximum offering prices between 10/01/20 and 9/30/21 to be $6,506,143,522,561.

2. The rate necessary to collect the target $709,554,300 in fee revenues set by Congress is then calculated as: $709,554,300 ÷ $6,506,143,522,561 = 0.00010906.

3. Round the result to the seventh decimal point, yielding a rate of 0.0001091 (or $109.10 per million).

Table A. Estimation of baseline of aggregate maximum offering prices .

Fee rate calculation.

a. Baseline estimate of the aggregate maximum offering prices, 10/01/20 to 09/30/21 ($Millions)	6,506,144
b. Implied fee rate ($709,554,300 / a)	$109.10

(A) Month	(B) # of Trading Days in Month	(C) Aggregate Maximum Offering Prices, in $Millions	(D) Average Daily Aggregate Max. Offering Prices (AAMOP) in $Millions	(E) log(AAMOP)	(F) Log (Change in AAMOP)	(G) Forecast log(AAMOP)	(H) Standard Error	(I) Forecast AAMOP, in $Millions	(J) Forecast Aggregate Maximum Offering Prices, in $Millions
Jul-10	21	171,191	8,152	22.822					
Aug-10	22	240,793	10,945	23.116	0.295				
Sep-10	21	260,783	12,418	23.242	0.126				
Oct-10	21	214,988	10,238	23.049	-0.193				
Nov-10	21	340,112	16,196	23.508	0.459				
Dec-10	22	297,992	13,545	23.329	-0.179				
Jan-11	20	233,668	11,683	23.181	-0.148				
Feb-11	19	252,785	13,304	23.311	0.130				
Mar-11	23	595,198	25,878	23.977	0.665				
Apr-11	20	236,355	11,818	23.193	-0.784				
May-11	21	319,053	15,193	23.444	0.251				
Jun-11	22	359,727	16,351	23.518	0.073				
Jul-11	20	215,391	10,770	23.100	-0.418				
Aug-11	23	179,870	7,820	22.780	-0.320				
Sep-11	21	168,005	8,000	22.803	0.023				
Oct-11	21	181,452	8,641	22.880	0.077				
Nov-11	21	256,418	12,210	23.226	0.346				
Dec-11	21	237,652	11,317	23.150	-0.076				
Jan-12	20	276,965	13,848	23.351	0.202				
Feb-12	20	228,419	11,421	23.159	-0.193				
Mar-12	22	430,806	19,582	23.698	0.539				
Apr-12	20	173,626	8,681	22.884	-0.813				
May-12	22	414,122	18,824	23.658	0.774				

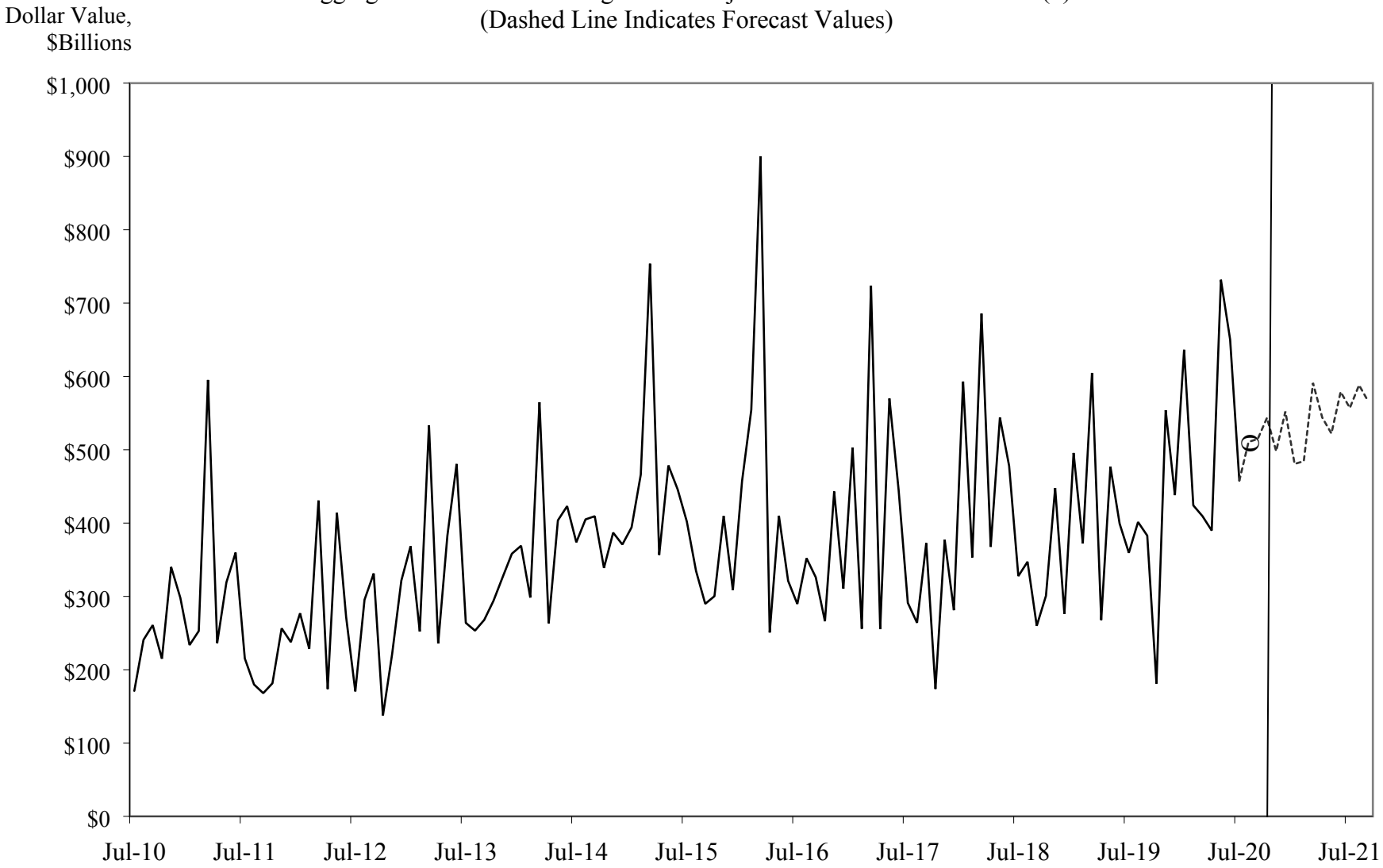
(A) Month	(B) # of Trading Days in Month	(C) Aggregate Maximum Offering Prices, in $Millions	(D) Average Daily Aggregate Max. Offering Prices (AAMOP) in $Millions	(E) log(AAMOP)	(F) Log (Change in AAMOP)	(G) Forecast log(AAMOP)	(H) Standard Error	(I) Forecast AAMOP, in $Millions	(J) Forecast Aggregate Maximum Offering Prices, in $Millions
Jun-12	21	272,218	12,963	23.285	-0.373				
Jul-12	21	170,462	8,117	22.817	-0.468				
Aug-12	23	295,472	12,847	23.276	0.459				
Sep-12	19	331,295	17,437	23.582	0.305				
Oct-12	21	137,562	6,551	22.603	-0.979				
Nov-12	21	221,521	10,549	23.079	0.476				
Dec-12	20	321,602	16,080	23.501	0.422				
Jan-13	21	368,488	17,547	23.588	0.087				
Feb-13	19	252,148	13,271	23.309	-0.279				
Mar-13	20	533,440	26,672	24.007	0.698				
Apr-13	22	235,779	10,717	23.095	-0.912				
May-13	22	382,950	17,407	23.580	0.485				
Jun-13	20	480,624	24,031	23.903	0.322				
Jul-13	22	263,869	11,994	23.208	-0.695				
Aug-13	22	253,305	11,514	23.167	-0.041				
Sep-13	20	267,923	13,396	23.318	0.151				
Oct-13	23	293,847	12,776	23.271	-0.047				
Nov-13	20	326,257	16,313	23.515	0.244				
Dec-13	21	358,169	17,056	23.560	0.045				
Jan-14	21	369,067	17,575	23.590	0.030				
Feb-14	19	298,376	15,704	23.477	-0.113				
Mar-14	21	564,840	26,897	24.015	0.538				
Apr-14	21	263,401	12,543	23.252	-0.763				
May-14	21	403,700	19,224	23.679	0.427				
Jun-14	21	423,075	20,146	23.726	0.047				
Jul-14	22	373,811	16,991	23.556	-0.170				
Aug-14	21	405,017	19,287	23.683	0.127				
Sep-14	21	409,349	19,493	23.693	0.011				
Oct-14	23	338,832	14,732	23.413	-0.280				

(A) Month	(B) # of Trading Days in Month	(C) Aggregate Maximum Offering Prices, in $Millions	(D) Average Daily Aggregate Max. Offering Prices (AAMOP) in $Millions	(E) log(AAMOP)	(F) Log (Change in AAMOP)	(G) Forecast log(AAMOP)	(H) Standard Error	(I) Forecast AAMOP, in $Millions	(J) Forecast Aggregate Maximum Offering Prices, in $Millions
Nov-14	19	386,898	20,363	23.737	0.324				
Dec-14	22	370,760	16,853	23.548	-0.189				
Jan-15	20	394,127	19,706	23.704	0.156				
Feb-15	19	466,138	24,534	23.923	0.219				
Mar-15	22	753,747	34,261	24.257	0.334				
Apr-15	21	356,560	16,979	23.555	-0.702				
May-15	20	478,591	23,930	23.898	0.343				
Jun-15	22	446,102	20,277	23.733	-0.166				
Jul-15	22	402,062	18,276	23.629	-0.104				
Aug-15	21	334,746	15,940	23.492	-0.137				
Sep-15	21	289,872	13,803	23.348	-0.144				
Oct-15	22	300,276	13,649	23.337	-0.011				
Nov-15	20	409,690	20,485	23.743	0.406				
Dec-15	22	308,569	14,026	23.364	-0.379				
Jan-16	19	457,411	24,074	23.904	0.540				
Feb-16	20	554,343	27,717	24.045	0.141				
Mar-16	22	900,301	40,923	24.435	0.390				
Apr-16	21	250,716	11,939	23.203	-1.232				
May-16	21	409,992	19,523	23.695	0.492				
Jun-16	22	321,219	14,601	23.404	-0.291				
Jul-16	20	289,671	14,484	23.396	-0.008				
Aug-16	23	352,068	15,307	23.452	0.055				
Sep-16	21	326,116	15,529	23.466	0.014				
Oct-16	21	266,115	12,672	23.263	-0.203				
Nov-16	21	443,034	21,097	23.772	0.510				
Dec-16	21	310,614	14,791	23.417	-0.355				
Jan-17	20	503,030	25,152	23.948	0.531				
Feb-17	19	255,815	13,464	23.323	-0.625				
Mar-17	23	723,870	31,473	24.172	0.849				

(A) Month	(B) # of Trading Days in Month	(C) Aggregate Maximum Offering Prices, in $Millions	(D) Average Daily Aggregate Max. Offering Prices (AAMOP) in $Millions	(E) log(AAMOP)	(F) Log (Change in AAMOP)	(G) Forecast log(AAMOP)	(H) Standard Error	(I) Forecast AAMOP, in $Millions	(J) Forecast Aggregate Maximum Offering Prices, in $Millions
Apr-17	19	255,275	13,436	23.321	-0.851				
May-17	22	569,965	25,908	23.978	0.657				
Jun-17	22	445,081	20,231	23.730	-0.247				
Jul-17	20	291,167	14,558	23.401	-0.329				
Aug-17	23	263,981	11,477	23.164	-0.238				
Sep-17	20	372,705	18,635	23.648	0.485				
Oct-17	22	173,749	7,898	22.790	-0.858				
Nov-17	21	377,262	17,965	23.612	0.822				
Dec-17	20	281,126	14,056	23.366	-0.245				
Jan-18	21	593,025	28,239	24.064	0.698				
Feb-18	19	353,182	18,589	23.646	-0.418				
Mar-18	21	685,784	32,656	24.209	0.563				
Apr-18	21	367,569	17,503	23.586	-0.624				
May-18	22	543,840	24,720	23.931	0.345				
Jun-18	21	477,967	22,760	23.848	-0.083				
Jul-18	21	327,710	15,605	23.471	-0.377				
Aug-18	23	347,239	15,097	23.438	-0.033				
Sep-18	19	259,874	13,678	23.339	-0.099				
Oct-18	23	300,814	13,079	23.294	-0.045				
Nov-18	21	447,767	21,322	23.783	0.489				
Dec-18	19	276,130	14,533	23.400	-0.383				
Jan-19	21	495,624	23,601	23.885	0.485				
Feb-19	19	372,166	19,588	23.698	-0.186				
Mar-19	21	604,813	28,801	24.084	0.385				
Apr-19	21	267,737	12,749	23.269	-0.815				
May-19	22	476,892	21,677	23.800	0.531				
Jun-19	20	399,178	19,959	23.717	-0.083				
Jul-19	22	359,438	16,338	23.517	-0.200				
Aug-19	22	401,391	18,245	23.627	0.110				

(A) Month	(B) # of Trading Days in Month	(C) Aggregate Maximum Offering Prices, in $Millions	(D) Average Daily Aggregate Max. Offering Prices (AAMOP) in $Millions	(E) log(AAMOP)	(F) Log (Change in AAMOP)	(G) Forecast log(AAMOP)	(H) Standard Error	(I) Forecast AAMOP, in $Millions	(J) Forecast Aggregate Maximum Offering Prices, in $Millions
Sep-19	20	382,876	19,144	23.675	0.048				
Oct-19	23	181,113	7,874	22.787	-0.888				
Nov-19	20	553,889	27,694	24.044	1.258				
Dec-19	21	438,062	20,860	23.761	-0.283				
Jan-20	21	636,403	30,305	24.135	0.373				
Feb-20	19	424,133	22,323	23.829	-0.306				
Mar-20	22	409,403	18,609	23.647	-0.182				
Apr-20	21	389,821	18,563	23.644	-0.002				
May-20	20	731,835	36,592	24.323	0.679				
Jun-20	22	650,219	29,555	24.110	-0.214				
Jul-20	22	457,871	20,812	23.759	-0.351				
Aug-20	21					23.858	0.336	24,317	510,665
Sep-20	21					23.865	0.338	24,510	514,715
Oct-20	22					23.872	0.341	24,705	543,503
Nov-20	20					23.879	0.343	24,901	498,013
Dec-20	22					23.886	0.346	25,098	552,159
Jan-21	19					23.893	0.348	25,297	480,647
Feb-21	19					23.901	0.350	25,498	484,460
Mar-21	23					23.908	0.353	25,700	591,103
Apr-21	21					23.915	0.355	25,904	543,984
May-21	20					23.922	0.357	26,109	522,189
Jun-21	22					23.929	0.359	26,317	578,965
Jul-21	21					23.936	0.362	26,525	557,032
Aug-21	22					23.943	0.364	26,736	588,186
Sep-21	21					23.950	0.366	26,948	565,904

Figure A
Aggregate Maximum Offering Prices Subject to Securities Act Section 6(b)
(Dashed Line Indicates Forecast Values)



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