SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33-10200; 34-78726 / August 30, 2016]

Order Making Fiscal Year 2017 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 2017 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

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]

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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.

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

Section 6(b)(2) sets forth the method for determining the annual adjustment to the fee rate under Section 6(b) for fiscal year 2017. 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 2017], is reasonably likely to produce aggregate fee collections under [Section 6(b)] that are equal to the target fee collection amount for [fiscal year 2017]." That is, the adjusted rate is determined by dividing the "target fee collection amount" for fiscal year 2017 by the "baseline estimate of the aggregate maximum offering prices" for fiscal year 2017.

Section 6(b)(6)(A) specifies that the "target fee collection amount" for fiscal year 2017 is $585,000,000. Section 6(b)(6)(B) defines the "baseline estimate of the aggregate maximum offering prices" for fiscal year 2017 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 2017] 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 2017, the Commission is using a methodology that has been used in prior fiscal years and that was developed in consultation with the Congressional Budget Office ("CBO") and Office of Management and Budget ("OMB"). [6] Using this methodology, the Commission determines the "baseline estimate of the aggregate maximum offering

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[6]   Appendix A explains how we determined the "baseline estimate of the aggregate maximum offering price" for fiscal year 2017 using our methodology, and then shows the arithmetical process of calculating the fiscal year 2017 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 2017.

price" for fiscal year 2017 to be $5,047,682,013,502. Based on this estimate, the Commission calculates the fee rate for fiscal 2017 to be $115.90 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.

III. Effective Dates of the Annual Adjustments

The fiscal year 2017 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, 2016.[7]

IV. Conclusion

Accordingly, pursuant to Section 6(b) of the Securities Act and Sections 13(e) and 14(g) of the Exchange Act,[8]

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 $115.90 per million effective on October 1, 2016.

By the Commission.

Brent J. Fields
Secretary

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[7]   15 U.S.C. 77f(b)(4), 15 U.S.C. 78m(e)(6) and 15 U.S.C. 78n(g)(6).

[8]   15 U.S.C. 77f(b), 78m(e) and 78n(g).

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 2017, the Commission has estimated the aggregate maximum offering prices by projecting forward the trend established in the previous decade. More specifically, an ARIMA model was used to forecast the value of the aggregate maximum offering prices for months subsequent to July 2016, 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 2017.

First, calculate the aggregate maximum offering prices (AMOP) for each month in the sample (July 2006 - July 2016). 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 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 2006 to July 2016.

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 $\alpha = 0.002807020$ and $\beta = -0.82994$.

6. For the month of August 2016 forecast $\Delta_{t = 8/16} = \alpha + \beta e_{t = 7/16}$. For all subsequent

   months, forecast $\Delta_t = \alpha$.

7. Calculate forecasts of log(AAMOP). For example, the forecast of log(AAMOP) for

   October 2016 is given by $\text{FLAAMOP}_{t = 10/16} = \log(\text{AAMOP}_{t = 7/16}) + \Delta_{t = 8/16} + \Delta_{t = 9/16}$

   $+ \Delta_{t = 10/16}$.

8. Under the assumption that e_t is normally distributed, the n-step ahead forecast of

   AAMOP is given by $\exp(\text{FLAAMOP}_t + \sigma_n^2/2)$, where σ_n denotes the standard error

   of the n-step ahead forecast.

9. For October 2016, this gives a forecast AAMOP of $19.614 billion (Column I), and a

   forecast AMOP of $411.9 billion (Column J).

10. Iterate this process through September 2017 to obtain a baseline estimate of the

    aggregate maximum offering prices for fiscal year 2017 of $5,047,682,013,502.

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 10/01/16 and 9/30/17 to be $5,047,682,013,502.

2. The rate necessary to collect the target $585,000,000 in fee revenues set by Congress

   is then calculated as: $585,000,000 ÷ $5,047,682,013,502 = 0.000115895.

3. Round the result to the seventh decimal point, yielding a rate of 0.0001159 (or

   $115.90 per million).

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

Fee rate calculation.

a. Baseline estimate of the aggregate maximum offering prices, 10/1/16 to 9/30/17 ($Millions)	5,047,682
b. Implied fee rate ($585 Million / a)	$115.90

Data

(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-06	20	232,654	11,633	23.177					
Aug-06	23	310,050	13,480	23.325	0.147				
Sep-06	20	236,782	11,839	23.195	-0.130				
Oct-06	22	213,342	9,697	22.995	-0.200				
Nov-06	21	292,456	13,926	23.357	0.362				
Dec-06	20	349,512	17,476	23.584	0.227				
Jan-07	20	372,740	18,637	23.648	0.064				
Feb-07	19	278,753	14,671	23.409	-0.239				
Mar-07	22	862,786	39,218	24.392	0.983				
Apr-07	20	562,103	28,105	24.059	-0.333				
May-07	22	470,843	21,402	23.787	-0.272				
Jun-07	21	586,822	27,944	24.053	0.267				
Jul-07	21	326,612	15,553	23.468	-0.586				
Aug-07	23	369,172	16,051	23.499	0.032				
Sep-07	19	241,059	12,687	23.264	-0.235				
Oct-07	23	239,652	10,420	23.067	-0.197				
Nov-07	21	458,654	21,841	23.807	0.740				
Dec-07	20	410,200	20,510	23.744	-0.063				
Jan-08	21	354,433	16,878	23.549	-0.195				
Feb-08	20	263,410	13,171	23.301	-0.248				
Mar-08	20	596,923	29,846	24.119	0.818				
Apr-08	22	292,534	13,297	23.311	-0.809				
May-08	21	456,077	21,718	23.801	0.491				

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Jun-08	21	461,087	21,957	23.812	0.011				
Jul-08	22	232,896	10,586	23.083	-0.730				
Aug-08	21	395,440	18,830	23.659	0.576				
Sep-08	21	177,636	8,459	22.858	-0.800				
Oct-08	23	360,494	15,674	23.475	0.617				
Nov-08	19	288,911	15,206	23.445	-0.030				
Dec-08	22	319,584	14,527	23.399	-0.046				
Jan-09	20	375,065	18,753	23.655	0.255				
Feb-09	19	249,666	13,140	23.299	-0.356				
Mar-09	22	739,931	33,633	24.239	0.940				
Apr-09	21	235,914	11,234	23.142	-1.097				
May-09	20	329,522	16,476	23.525	0.383				
Jun-09	22	357,524	16,251	23.511	-0.014				
Jul-09	22	185,187	8,418	22.854	-0.658				
Aug-09	21	192,726	9,177	22.940	0.086				
Sep-09	21	189,224	9,011	22.922	-0.018				
Oct-09	22	215,720	9,805	23.006	0.085				
Nov-09	20	248,353	12,418	23.242	0.236				
Dec-09	22	340,464	15,476	23.463	0.220				
Jan-10	19	173,235	9,118	22.933	-0.529				
Feb-10	19	209,963	11,051	23.126	0.192				
Mar-10	23	432,934	18,823	23.658	0.533				
Apr-10	21	280,188	13,342	23.314	-0.344				
May-10	20	278,611	13,931	23.357	0.043				
Jun-10	22	364,251	16,557	23.530	0.173				
Jul-10	21	171,191	8,152	22.822	-0.709				
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				

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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				
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				

(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-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				
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				

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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					23.632167	0.342	19,439	447,089
Sep-16	21					23.634974	0.347	19,526	410,051
Oct-16	21					23.637781	0.351	19,614	411,898
Nov-16	21					23.640588	0.356	19,703	413,754
Dec-16	21					23.643395	0.361	19,791	415,618
Jan-17	20					23.646202	0.366	19,880	397,610
Feb-17	19					23.649009	0.370	19,970	379,431
Mar-17	23					23.651816	0.375	20,060	461,381
Apr-17	19					23.654623	0.379	20,150	382,858
May-17	22					23.657430	0.384	20,241	445,306
Jun-17	22					23.660237	0.388	20,332	447,312
Jul-17	20					23.663044	0.392	20,424	408,479
Aug-17	23					23.665851	0.397	20,516	471,867
Sep-17	20					23.668658	0.401	20,608	412,168

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