

Rule 19h-1 Supporting Statement

A. Justification

1. Necessity for Information Collection

Rule 19h-1 ("Rule") under the Securities Exchange Act of 1934 (the "Exchange Act") prescribes the form and content of notices and applications by self-regulatory organizations ("SROs") regarding proposed admissions to, or continuances in, membership, participation or association with a member of any person subject to a statutory disqualification. The Rule was adopted on July 8, 1977, in response to changes made by the Securities Act amendments of 1975, and in order to codify procedures for Commission resolution of other issues relating to re-admission to, or continuance in, the securities business of persons subject to statutory disqualification. Rule 19h-1 was adopted pursuant to authority granted the Commission in Sections 6, 11A, 15, 15A, 19, and 23 of the Exchange Act, 15 U.S.C. 78f, 78k-1, 78o, 78o-3, 78q, 78q-1, 78s, and 78w.

2. Purpose of, and Consequences of Not Requiring, the Information Collection

The Commission uses the information provided in the submissions filed pursuant to Rule 19h-1 to review decisions of SROs to permit the entry into or continuance in the securities business of persons who have committed serious misconduct. The filings submitted pursuant to the Rule also permit inclusion of an application to the Commission for consent to associate with a member of an SRO notwithstanding a Commission order barring such association.

The Commission reviews filings made pursuant to the Rule to ascertain whether it is in the public interest to permit the employment in the securities business of persons subject to a statutory disqualification. The filings contain information that is essential to the staff's review and ultimate determination on whether an association or employment is in the public interest and consistent with investor protection. Without these filings, persons subject to a statutory disqualification could reenter or continue employment in the securities business without the Commission's critical review of their character, ability to act as a fiduciary, and their employer's plan of supervision. The failure to collect and review this information could result in significant harm to the investing public.

3. Role of Improved Information Technology and Obstacles to Reducing Burden

Submission of a written notice for review is the least burdensome and most effective means of giving the Commission notice of the applicant's intent.

4. Efforts to Identify Duplication

There is no duplication of this application process to the Commission.

5. Effect on Small Entities

Not applicable.

6. Consequences of Less Frequent Collection

The principal purpose of Rule 19h-1 is to provide the Commission with an opportunity to ensure persons subject to statutory disqualification are not permitted to enter or to continue in the securities industry without the Commission's review of whether the entry or continuance is consistent with the public interest and the protection of investors. The information must be provided when persons who are subject to statutory disqualification seek to enter or to continue in the securities business. A less frequent reporting requirement would weaken the Commission's ability to ensure that investors are protected from persons who have committed misconduct that might affect their ability to act as a fiduciary. Moreover, a less frequent collection of information is not practical if the Commission is to have a meaningful and timely opportunity to review the proposed employment or continuance in the industry of such persons.

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

This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

In that this application is directed solely to the Commission and no other entities compile pertinent data on the applicants, no other agencies, state or local governments, or other organizations were consulted by the Commission on this matter.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

No assurance of confidentiality is provided.

11. Sensitive Questions

The form of the notice does not impose the burden of any questions of a sensitive nature.

12. Estimate of Respondent Reporting Burden

Based upon past submissions, it is estimated that 5 respondents will make submissions pursuant to this Rule with an estimated total of 200 burden hours for all respondents to complete all submissions.

13. Estimates of Total Annualized Cost Burden

There are no developmental costs presently associated with Rule 19h-1. We believe that the average number of hours necessary to comply with the requirements of Rule 19h-1 is 8 hours per submission. Pursuant to this Rule, 25 responses, in total, were submitted. Therefore, each respondent submitted approximately 5 responses. As noted, the total number of hours required annually for all respondents to complete all submissions is estimated at 200 hours. The average cost per hour to complete a submission is approximately \$101.¹ Therefore, the total cost of compliance for all respondents is approximately \$20,200. (25 responses X 8 hours per response X \$101 per hour).

14. Estimate of Cost to Federal Government

From past experience, it is estimated that the operational costs of accepting and processing notices filed pursuant to Rule 19h-1 amount to approximately \$1,250. This amount is based on our computation of the value of staff time devoted to those activities and is based on the GSA, Guide to Estimating Reporting Costs (1973).

15. Explanation of Changes in Burden

The estimated decrease in hourly reporting burden results from a decrease in the number of submissions.

16. Information Collections Planned for Statistical Purposes

The information received is not collected for statistical use.

17. Explanation as to Why Expiration Date Will Not Be Displayed

The Commission is not seeking approval to not display the expiration date for OMB approval.

¹ This figure includes 35% overhead.

18. Exceptions to Certification

The Commission is not seeking an exception to the certification statement.

B. Collection of Information Employing Statistical Methods

No statistical methodology is utilized under Rule 19h-1.