

PAPERWORK REDUCTION ACT SUBMISSION

RULE 15A-4

SUPPORTING STATEMENT

A. Justification

1. Necessity for Information Collection

The Commission adopted Rule 15a-4 pursuant to Section 15(a)(2) of the Securities Exchange Act of 1934 (the “Exchange Act”) in order to provide a 45-day exemption from the broker-dealer registration requirement contained in Section 15(a)(1) of the Exchange Act for natural person members of national securities exchanges who have terminated their association with a registered broker-dealer. The rule is part of the Commission’s broker-dealer registration program.

Rule 15a-4 permits a natural person exchange member who terminates his or her association with a registered broker-dealer to continue to transact business on the floor for 45 days provided that before the termination of his or her association with the registered broker-dealer he or she submits to the Commission an application for registration as a broker-dealer accompanied by a written statement from the exchange. The exchange statement must indicate that the exchange has reviewed the application and is not aware of any reason that the application should be denied.

On occasion, the registered entity with which an exchange member is associated may dissolve, or the member may seek to become self-employed and continue to transact business on the floor of the exchange. In such instances, without Rule 15a-4, the natural person would be prohibited from continuing his or her securities business until he or she had registered with the Commission as a broker-dealer. The rule permits natural person exchange members to continue to do business during the period required for the Commission to process their broker-dealer applications. In order to ensure that the public is adequately protected during that period, the rule requires the exchange involved send a statement to the Commission indicating that it has reviewed the member’s application for registration as a broker-dealer and that there does not appear to be grounds for denying the application.

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

The Commission uses the information disclosed by applicants in Form BD: (1) to determine whether the applicant meets the standards for registration set forth in the provisions of the Exchange Act; (2) to develop a central information resource where members of the public may obtain relevant, up-to-date information about broker-dealers, municipal securities dealers and government securities broker-dealers, and where the Commission, other regulators and SROs may obtain information for investigatory purposes in connection with securities litigation; and (3) to develop statistical information about

broker-dealers, municipal securities dealers and government securities broker-dealers. Without the information disclosed in Form BD, the Commission could not effectively implement policy objectives of the Exchange Act with respect to its investor protection function.

The statement submitted by the exchange assures the Commission that the applicant, in the opinion of the exchange, is qualified to transact business on the exchange during the time that the applications are reviewed.

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

Broker-dealer applicants currently file Form BD with the NASD. The NASD then enters the information into the CRD system and forwards it electronically to the Commission. This method of collecting information reduces the regulatory burden upon broker-dealers by permitting them to file applications for registration and amendments thereto at one central location, rather than filing Form BD separately with the Commission, SROs and other regulators.

4. Efforts to Identify Duplication

Not applicable. The Commission believes that no duplication of the requirement of Rule 15a-4 exists.

5. Effect on Small Entities

Not applicable. Rule 15a-4 applies uniformly to all entities.

6. Consequences of Less Frequent Collection

This is a non-recurring disclosure obligation so it would be impossible to collect the information less frequently.

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

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

8. Consultations Outside the Agency

Not applicable. No consultation outside the agency took place.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

No assurances of confidentiality are provided.

11. Sensitive Questions

No questions of a sensitive nature are asked.

12. Estimate of Respondent Reporting Burden

The burden hours required to compile the application information and to complete an average Form BD for purposes of Rule 15a-4 have been included in the approved collection for Rule 15a-1 and Form BD (OMB Control No. 3235-0012). Therefore, these hours will not be included in this request for OMB extension and approval of the Rule 15a-4 collection.

The amount of time required by the exchange to prepare a written consent statement will vary with the complexity of a proposed broker-dealer's business. We estimate that the completion of a written consent statement will take approximately 4.23 hours, including 3.4 hours for Middle Management, 0.5 hours for Supervisor and 0.33 hours for Clerical. The total annual hourly burden is 106 hours, based on approximately 25 responses (25 Respondents x 1 Responses/Respondent), each requiring approximately 4.23 hours to complete.

For the purposes of this submission, our estimates regarding cost burdens have been computed according to the guidelines set forth in GSA, Guide to Estimating Reporting Costs (1973). Accordingly, the Commission staff has valued related overhead at 35 percent of the value of the combined salaries of the aforementioned participants.

13. Estimates of Total Annualized Cost Burden

Not applicable. It is not anticipated that respondents will have to incur any capital and start-up costs, nor any additional operational or maintenance costs (other than as provided in Item 12), to comply with the collection of information.

14. Estimate of Cost to Federal Government

On an annual basis, the Commission receives approximately 25 responses filed pursuant to Rule 15a-4. The cost of processing a Form BD for purposes of Rule 15a-4 has been included in the approved collection for Rule 15a-1 and Form BD (OMB Control No. 3235-0012). Therefore, this cost will not be included in this request for OMB extension and approval of the Rule 15a-4 collection. The cost of processing an exchange's consent statement is negligible.

15. Explanation of Changes in Burden

Not applicable. Since the last renewal, there have been no changes in burden.

16. Information Collections Planned for Statistical Purposes

Not applicable. The information collected is not used for tabulation, statistical analysis or publication.

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

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

18. Exceptions to Certification

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

B. Collection of Information Employing Statistical Methods

Not applicable. This collection does not involve statistical methods.