

# **PAPERWORK REDUCTION ACT SUBMISSION**

## **Rule 12d2-1**

### **SUPPORTING STATEMENT**

#### **A. Justification.**

##### **1. Necessity for Information Collection**

Section 12(a) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> generally makes it unlawful for any member, broker, or dealer to effect any transaction in any security (other than an exempted security) on a national securities exchange unless the security is effectively registered on that exchange in accordance with the provisions of the Act and the rules thereunder. Rule 12d2-1 under the Act (“Rule”) provides the procedures by which a national securities exchange may suspend from trading a security that is listed and registered on the exchange. Under the Rule, an exchange is permitted to suspend from trading a listed security in accordance with its rules, and must promptly notify the Securities and Exchange Commission (“Commission”) of any such suspension, along with the effective date and the reasons for the suspension.

Any such suspension from trading may be continued until such time as the Commission may determine that the suspension is designed to evade the provisions of Section 12(d) of the Act and Rule 12d2-2 thereunder.<sup>2</sup> During the continuance of such suspension under the Rule, the exchange is required to notify the Commission promptly of any change in the reasons for the suspension. Upon the restoration to trading of any security suspended under the Rule, the exchange must notify the Commission promptly of the effective date of such restoration.

##### **2. Purposes of, and Consequences of Not Requiring, the Information Collection**

The trading suspension notices serve a number of purposes. First, they inform the Commission that an exchange has suspended from trading a listed security or reintroduced trading in a previously suspended security. They also provide the Commission with information necessary to determine that the suspension has been accomplished in accordance with the rules of the exchange, and to verify that the exchange has not evaded the requirements of Section 12(d) of the Act and Rule 12d2-2 thereunder by improperly employing a trading suspension.

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<sup>1</sup> 15 U.S.C. 78b et seq.

<sup>2</sup> Rule 12d2-2 prescribes the circumstances under which a security may be delisted from an exchange and withdrawn from registration under Section 12(b) of the Act, and provides the procedures for taking such action. Rule 12d2-2 and Form 25 are discussed in a separate submission (SEC File No. 270-86).

Without the Rule, the Commission would be unable to fully implement these statutory responsibilities.

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

The Commission and the national securities exchanges continue to improve their systems for information gathering and compilation through increasing use of computer technology. While the burdens associated with complying with the requirements of the Rule are small, the Commission staff believes that ongoing implementation of increasingly sophisticated information technology continues to further minimize these burdens.

4. Efforts to Identify Duplication

Not applicable.

5. Effect on Small Business

Not applicable. Neither the national securities exchanges, who must comply with both the Rule and the Form, nor any issuer obligated to respond under the Rule, would be considered a small business as described in the OMB guidelines for completing this Submission.

6. Consequences of Less Frequent Collection

If the collection of information were conducted less frequently, the Commission would not have the timely information necessary to ensure that trading suspensions are accomplished in accordance with the rules of the exchange and that the exchange is in compliance with Section 12(d) of the Act. Since the information required by the Rule is not otherwise available to the Commission, the Rule is necessary for the Commission to be able to fully comply with its statutory responsibilities.

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

The requirements of the Rule are consistent with the general information collection guidelines imposed for public protection as set forth in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Commission

Rule 12d2-1 was adopted by the Commission after notice and comment, as required by the Administrative Procedure Act. Since the rule remains unchanged, there has been no recent need for consultation with persons outside the agency.

9. Payment or Gift to Respondents

Not applicable.



10. Assurances of Confidentiality

Not applicable.

11. Sensitive Questions

Not applicable.

12. Estimate of Respondent Reporting Hour Burden

There are ten national securities exchanges that are subject to the requirements of Rule 12d2-1. The burden of complying with the Rule is not evenly distributed among the exchanges since there are many more securities listed on the New York Stock Exchange, the NASDAQ Stock Market, and the American Stock Exchange LLC than on the other national securities exchanges. The staff has assumed, solely for the purpose of making these estimates, that the number of responses would be evenly distributed among the exchanges.<sup>3</sup>

The Commission staff has prepared the following breakdown of the respondents' relevant reporting hour burdens and related costs:

For national securities exchanges filing suspension of trades. The staff has computed the average cost per response to be approximately \$27.75, representing one-half reporting hour per response, including:

quarter hour of legal work @ \$82/hour	= \$ 20.50
quarter hour of compliance work @ \$29/hour	= \$ 7.25
	\$ 27.75

There are approximately 1,500 responses to the Commission from the national securities exchanges each year, the resultant aggregate annual reporting hour burden would be, assuming on average one-half reporting hour per response, 750 annual burden hours for all exchanges. The related costs associated with these burden hours are \$41,625.00.

13. Estimate of total annualized cost burden

Not applicable; (a) it is not anticipated that respondents will have to incur any capital and start up cost to comply with the Rule; (b) it is not anticipated that the respondents will have to incur any additional operational or maintenance cost to comply with the Rule.

14. Estimate of Cost to Federal Government


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<sup>3</sup> In fact, some exchanges do not file any trading suspension reports in a given year.

There are no agency records prior to fiscal year 1981 that would permit the Commission staff to compute the cost of developing the Rule. Concerning ongoing costs to the Federal Government, based on its experience with reviewing and processing trading suspension notices, the Commission staff believes that the operational costs to the Commission of a typical notification should amount to approximately \$28.75. There are approximately 1,500 responses annually, the total estimated cost to the Federal Government would be approximately \$43,125.00. These estimates were arrived at based on computations of staff time devoted to processing these responses and related overhead costs (valued at 25 percent of the cost of staff time, in accordance with the formulas set forth in the Guide to Estimating Reporting Costs (1973)).

15. Explanation of Changes in Burden

The increase in reporting burden is due to the increase in the number of trading suspensions.

16. Information Collections Planned for Statistical Purposes

Not applicable. The information is not published for statistical use.

17. Explanation of Why Expiration Date Should Not Be Displayed

Not applicable.

18. Exceptions to Certification

Not applicable.

B. Collection of Information Employing Statistical Methods

The collection of information under the Rule does not employ statistical methods.