

## **PAPERWORK REDUCTION ACT SUBMISSION**

### **Form 1, Rules 6a-1 and 6a-2**

### **SUPPORTING STATEMENT**

#### **A. Justification**

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

The Securities Exchange Act of 1934 ("Exchange Act") provides a framework for self-regulation under which various entities involved in the securities business, including national securities exchanges, have primary responsibility for regulating their members or participants. The role of the Securities and Exchange Commission ("SEC") in this framework is primarily one of oversight: the Exchange Act charges the SEC with supervising the national securities exchanges and assuring that each complies with and advances the policies of the Exchange Act.

Pursuant to Section 6 of the Exchange Act,<sup>1</sup> the SEC may not grant registration as a national securities exchange unless it finds, among other things, that the exchange is so organized and has the capacity to carry out the purpose of the Exchange Act and to comply and enforce compliance by members and their associated persons with the Exchange Act, the rules thereunder, and the exchange rules; and that the exchange's rules are designed to protect investors and the public interest. As provided in Rules 6a-1 and 6a-2 under the Act,<sup>2</sup> such information is elicited on Form 1, designated as the "Application for, and Amendments to Application for, Registration as a National Securities Exchange or Exemption from Registration Pursuant to Section 5 of the Exchange Act."

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

Rule 6a-1 generally requires an applicant for initial registration as a national securities exchange to file an application with the SEC on Form 1. An exchange that seeks an exemption from registration based on limited volume also must apply for such exemption on Form 1. Rule 6a-2 requires registered and exempt exchanges: (1) to amend the Form 1 if there are any material changes to the information provided in the initial Form 1; and (2) to submit periodic updates of certain information provided in the initial Form 1, whether such information has changed or not. The information required pursuant to Rule 6a-1 and 6a-2 is necessary to enable the SEC to maintain accurate files regarding the exchange and enable the SEC to exercise its statutory oversight functions. Without the information submitted pursuant to Rule 6a-1 on Form 1, the Commission would not be able to determine whether the respondent met the criteria for registration or exemption set forth in Sections 6 and 19 of the Exchange Act. Without the amendments and periodic updates of information submitted

---

<sup>1</sup> 15 U.S.C. 78f.

<sup>2</sup> 17 CFR 240.6a-1 and 240.6a-2.

pursuant to Rule 6a-2, the Commission would have substantial difficulty determining whether a national securities exchange or exempt exchange was continuing to operate in compliance with the Exchange Act.

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

Because much of the information requested by the Form 1 consists of copies of existing documents, there is only limited scope for information technology to reduce respondents' burden.

4.     Efforts to Identify Duplication

The information required on Form 1 generally consists of copies of existing documents. Thus, the SEC does not believe that substantial effort is required to collect this information for submission on the Form 1.

5.     Effects on Small Entities

No small businesses are involved in the procedures of data compilation and filing.

6.     Consequences of Less Frequent Collection

The information provided on the initial Form 1 is filed only when an entity wishes to become registered as a national securities exchange or if it seeks an exemption from such registration based on limited volume. Thus, any less frequent collection of information would be impractical. This information is essential for the SEC to determine whether registration (or an exemption from registration) is warranted. The amendments and periodic updates of information required by Rule 6a-2 are necessary to ensure that the SEC has up-to-date information about national securities exchanges or exchanges that have the limited volume exemption. Without such information, it would be difficult to ensure that such entities continued to act in compliance with the Exchange Act.

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

The SEC periodically discusses with the national securities exchanges and other respondents to the Form 1 the burdens imposed by Rules 6a-1 and 6a-2.

9.     Payment or Gift to Respondents

Not applicable.

**10. Assurance of Confidentiality**

Not applicable. The information is made available to members of the public who may wish to comment on the information provided.

**11. Sensitive Questions**

Not applicable. No issues of a sensitive nature are involved.

**12. Estimate of Respondent Reporting Burden<sup>3</sup>**

Initial filings on Form 1 by new exchanges are made on a one-time basis. Based on the number of Form 1 submissions it has received over the past three years, the SEC estimates that it will continue to receive approximately three initial Form 1 filings per year. The SEC continues to estimate that each respondent would incur an average burden of 47 hours to file an initial Form 1 at an average cost per response of approximately \$10,354. This figure was derived in the following manner:

30 hours of legal work at \$305/hr <sup>4</sup> =	\$ 9150
17 hours of clerical work at \$62/hr <sup>5</sup> =	\$ 1054
miscellaneous clerical expenses =	<u>\$ 150</u>
	\$10,354

Therefore, the SEC estimates that the annual burden for all respondents to file the initial Form 1 would be 141 hours (one response/respondent x three respondents x 47 hours/response) and \$31,062 (one response/respondent x three respondents x \$10,354/response).

There currently are thirteen entities registered as national securities exchanges and two exempt exchanges. The Commission estimates that each registered or exempt exchange files four amendments or periodic updates to Form 1 per year. The SEC continues to estimate that each exchange will incur an average burden of 25 hours to comply with Rule 6a-2 and file amendments and periodic updates to information provided on the initial Form

---

<sup>3</sup> For purposes of entering the data into the OMB ROCIS database, the numbers of burden hours and respondents have been consolidated from what is specified in the supporting statement.

<sup>4</sup> Figure for an Attorney is from *SIFMA's Management & Professional Earnings in the Securities Industry 2008*, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>5</sup> Figure for an Administrative Assistant is from *SIFMA's Office Salaries in the Securities Industry 2008*, modified by Commission staff to account for an 1800-hour work-year and multiplied by 2.93 to account for bonuses, firm size, employee benefits and overhead.

1. The SEC estimates that the average cost per response would be approximately \$5295. These figures were derived in the following manner:

15 hours of legal work at \$305/hr =	\$4575
10 hours of clerical work at \$62/hr =	\$ 620
miscellaneous clerical expenses =	<u>\$ 100</u>
	\$5295

Therefore, the SEC estimates that the annual burden for all respondents to file amendments and periodic updates to the Form 1 pursuant to Rule 6a-2 would be 1500 hours (15 respondents x 25 hours/response x four response/respondent per year) and \$317,700 (15 respondents x \$5295/response x four response/respondent per year).

13. Estimate of Total Annualized Cost Burden

Not applicable. The SEC does not believe that respondents have to incur any capital or start-up costs, or any additional operational or maintenance costs (other than as provided in Item 12), to comply with the collection of information requirements required by Rules 6a-1 and 6a-2 and Form 1.

14. Estimate of Cost to the Federal Government

The operational cost to the SEC to review each initial Form 1 application is approximately \$8050, representing 45 hours of staff time. These figures were derived in the following manner:

30 hours of legal work at \$235/hr =	\$7050
15 hours of clerical work at \$60/hr =	\$ 900
Miscellaneous clerical expenses =	<u>\$ 100</u>
	\$8050

The SEC estimates that processing initial Form 1 filings pursuant to Rule 6a-1 will result in annual staff burdens of 135 hours (three anticipated filings/year x 45 hours/filing) and \$24,150 (three anticipated filings/year x \$8050/filing).

The operational cost to the SEC and the related overhead value to review each amendment or periodic update pursuant to Rule 6a-2 is approximately \$1015, representing eight hours of staff time. These figures were derived in the following manner:

3 hours of professional work at \$235/hr =	\$ 705
5 hours of clerical work at \$60/hr =	\$ 300
Miscellaneous clerical expenses =	<u>\$ 10</u>
	\$1015

The SEC estimates that processing the amendments and periodic updates of information pursuant to Rule 6a-2 results in annual staff burdens of 104 hours (one response/respondent x 13 respondents x eight hours/response) and \$13,195 (one response/respondent x 13 respondents x \$1015/response). Overall, the Commission estimates that the reporting requirements under Rules 6a-1 and 6a-2 combined result in staff burdens of 239 hours (135 plus 104) and \$37,345 (\$24,150 plus \$13,195) per year.

15. Explanation of Changes in Burden

The estimated changes in burden have been adjusted to reflect the fact that, since the last time the SEC sought OMB approval for the collection of information pursuant to Rules 6a-1 and 6a-2 and Form 1, the number of registered national securities exchanges has increased from ten to thirteen. Accordingly, the number of respondents has increased from twelve to fifteen. The change in the estimated number of amendments or periodic updates is based on the total number of forms filed by respondents over the past three years. Moreover, the estimates reflect an increase in salary data that includes overhead costs.

16. Information Collected Planned for Statistical Purposes

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

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

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

18. Exceptions to Certification

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

19. Collection of Information Employing Statistical Methods

Not applicable. The collection of information will not employ statistical methods.