

Rule 19d-1 Supporting Statement

A. Justification.

1. Necessity for Information Collection.

Rule 19d-1 (“Rule”) under the Securities Exchange Act of 1934 (the “Exchange Act”), prescribes the form and content of notices to be filed with the Securities and Exchange Commission (“Commission”) by self-regulatory organizations (“SROs”) for which the Commission is the appropriate regulatory agency concerning the following final SRO actions: (1) disciplinary sanctions (including summary suspensions); (2) denials of membership, participation or association with a member; and (3) prohibitions or limitations on access to SRO services. The Rule enables the Commission to obtain reports from the SROs containing information regarding SRO determinations to discipline members or associated persons of members, deny membership or participation or association with a member, and similar adjudicated findings. The Rule requires that such actions be promptly reported to the Commission. The Rule also requires that the reports and notices supply sufficient information regarding the background, factual basis and issues involved in the proceeding to enable the Commission (1) to determine whether the matter should be called up for review on the Commission’s own motion and (2) to ascertain generally whether the SRO has adequately carried out its responsibilities under the Act. Rule 19d-1 was adopted on July 8, 1977, pursuant to authority granted the Commission in Sections 6, 11A, 15, 15A, 19 and 23 of the Act, 15 U.S.C. 78f, 78k-1, 78o, 78o-3, 78q, 78q-1, 78s and 78w (Exhibit B).

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

The Commission uses the information provided in the submissions filed pursuant to Rule 19d-1 in its SRO oversight program. Section 19(d)-1 of the Exchange Act requires SROs to “promptly” file notice with the Commission of any final action covered by the section. The Commission would not be able to comply with certain provisions of the Exchange Act and to oversee the disciplinary activities of the SROs if this information was not reported.

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. No improved information technology is generally available to applicants. However, the Commission staff is currently considering a web-based system to collect this data electronically.

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 19d-1 is to provide the Commission with an opportunity to ensure that SRO enforcement of the federal securities laws is performed diligently and fairly. The Exchange Act requires that these notices be filed “promptly.” Accordingly, a less frequent reporting requirement would weaken the Commission’s ability to oversee the disciplinary activities of the SROs in a timely fashion. Moreover, a less frequent collection of information is not practical if the Commission is to have a meaningful and timely opportunity to review any final action of an SRO.

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.

The Commission staff believe the 19d-1 filings are protected under FOIA. Several SROs make their final disciplinary actions available to the public.

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 ten respondents will utilize this application procedure annually, with a burden of 1,175 total hours. This figure represents approximately 117.5 hours spent, per each respondent. Each respondent submitted approximately 235 responses.

13. Estimates of Total Annualized Cost Burden.

We believe that the average number of hours necessary to comply with the requirements of

Rule 19d-1 is .5 hours per response. As noted, the total number of hours required annually is 1175 hours. The average cost per hour is approximately \$101, per response.¹ Therefore, the total cost of compliance for all respondents is approximately \$118,675. (10 respondents X 235 responses per respondent X .5 hrs 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 19d-1 amounts to approximately \$80,000. 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.

Not applicable.

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.

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 19d-1.

¹ This hourly figure includes 35% overhead.