

SUPPORTING STATEMENT
for the Paperwork Reduction Act
Information Collection
“Rule 15c1-6”

A. Justification

1. Necessity of Information Collection

The Commission adopted Rule 15c1-6 (17 CFR 240.15c1-6), to protect the public by prohibiting a broker or dealer from inducing the purchase or sale of any security by any act, practice, or course of business which would defraud or deceive any person. Rule 15c1-6 states that any broker-dealer trying to sell to or buy from a customer a security in a primary or secondary distribution in which the broker-dealer is participating or is otherwise financially interested must give the customer written notification of the broker-dealer’s participation or interest at or before completion of the transaction.

The Commission is statutorily authorized by Section 15 of the Securities Exchange Act of 1934 (“Exchange Act”) 15 U.S.C. 78o(c)(2), to adopt rules and regulations that define and prescribe means reasonably designed to prevent such acts and practices as are fraudulent, deceptive, or manipulative. Further statutory authority is found in Section 23(a) of the Exchange Act, 15 U.S.C. 78w.

2. Purposes and Use of the Information Collection

The information required by the rule is necessary for the execution of the Commission’s mandate under the Exchange Act to prevent fraudulent, manipulative, and deceptive acts and practices by broker-dealers. In addition, the information required by the rule provides a potential investor in a security with the opportunity to better evaluate transactions in light of the disclosure of the broker-dealer's interest in the distribution of such security. Without this disclosure the investor would not be as able to make an informed investment decision.

3. Consideration Given to Information Technology

The compilation of this information must be done on an individual basis for each potential investor. Thus, improved information technology would not reduce the burden.

4. Duplication

Not applicable; there is no duplication of information.

5. Effect on Small Entities

The rule requirements are not unduly burdensome on smaller broker-dealers.

6. Consequences of Not Conducting Collection

Failure to collect the information may limit the Commission's ability to prevent fraudulent, manipulative, and deceptive acts and practices by broker-dealers.

7. Inconsistencies with Guidelines in 5 CFR 1320.8(d)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.8(d).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection on information was published. No public comments were received.

9. Payment or Gift

Not applicable.

10. Confidentiality

Because the information is gathered by the Commission during compliance examinations, it is accorded confidential treatment pursuant to Regulation 200.80(b)(7) under the Freedom of Information Act, 17 CFR 200.80(b)(7).

11. Sensitive Questions

Not applicable; no information of a sensitive nature is required under the rule.

12. Burden of Information Collection

Of the 4,810 registered broker-dealers, approximately 10% would need to make the type of disclosure required by the rule. Each such respondent will spend an estimated 10 hours per year in complying with the rule. Thus, approximately 481 respondents will spend a total of 4,810 hours to comply with the rule.

The approximate internal cost per hour of complying with the collection of information imposed by Rule 15c1-6 is \$100, resulting in a total cost of compliance for all respondents of \$481,000 (4,810 hours @ \$100). This is, however, solely a monetization of the hour burden not a cost burden. The burden is a third-party disclosure on an annual basis.

13. Costs to Respondents

There is no cost burden on respondents imposed by the collection of information.

14. Costs to Federal Government

During the fiscal year 1998, the operational costs of writing interpretive letters concerning the rule amounted to approximately \$20,250 (150 hours @ \$135). This amount is based upon our computation of the value of staff time devoted to this activity and the related overhead, valued at 35 percent of staff time. This estimate was computed based upon GSA, Guide to Estimating Reporting Costs (1973).

15. Change in Burden

The estimated burden of collecting information pursuant to Rule 15c1-6 has decreased slightly due to a reduction in the number of broker-dealers affected by the rule.

16. Information Collections Planned for Statistical Purposes

Not applicable; there is no intention to publish the information for any purpose.

17. Display of OMB Approval Date

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods

The collection of information does not employ statistical methods, nor would the implementation of such methods reduce the burden or improve the accuracy of results.