

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
“Rule 15a-4”

A. Justification

1. Necessity of 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 on Form BD accompanied by a written statement from the exchange (“Statement”). 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 to send a Statement to the Commission indicating that it has reviewed the member’s application for registration as a broker-dealer and that there do not appear to be grounds for denying the application.

2. Purpose and Use of 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. Consideration Given to Information Technology

Broker-dealer applicants currently file Form BD with FINRA. FINRA 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. 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 Not Conducting Collection

If the Commission did not require collection, it would be unable to allow the potential BD to transact business while it waited for its Form BD to be processed.

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

This collection is consistent with 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

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

9. Payment or Gift

Not applicable.

10. Confidentiality

No assurances of confidentiality are provided.

11. Sensitive Questions

No questions of a sensitive nature are asked.

12. Burden of Information Collection

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 8.46 hours, based on approximately 2 responses (2 Respondents x 1 Statement/Respondent), each requiring approximately 4.23 hours to complete, rounded to 8 hours.

13. Costs to Respondents

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 to comply with the collection of information.

14. Costs to Federal Government

On an annual basis, the Commission receives approximately 2 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. Changes in Burden

The total annual hourly burden has been reduced from 42 hours to 8 hours, based on a reduction of the estimated number of respondents from 10 to 2.

16. Information Collections Planned for Statistical Purposes

Not applicable. The information collected is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

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

B. Collection of Information Employing Statistical Methods

This collection does not involve statistical methods.