

SUPPORTING STATEMENT
FOR THE PAPERWORK REDUCTION ACT INFORMATION COLLECTION
SUBMISSION FOR REGULATION BTR

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

Regulation Blackout Trade Restriction (“Regulation BTR”) is the source that clarifies the scope and application of Section 306(a) of the Sarbanes-Oxley Act of 2002. Section 306(a)(1) of the Sarbanes-Oxley Act of 2002 (the “Act”) prohibits any director or executive officer of an issuer of any equity security registered under the Securities and Exchange Act of 1934, directly or indirectly, from purchasing, selling or otherwise acquiring or transferring an equity security of the issuer during any blackout period, if the director or executive officer acquired the equity security in connection with his or her service or employment. Section 306(a)(6) of the Act requires an issuer to provide timely notice to its directors and executive officers and to the Commission of the imposition of a blackout period that would trigger the statutory trading prohibition of Section 306(a)(1).

Rules implementing Section 306(a)(3) of the Act clarify the application and prevent evasion of the statutory trading prohibition of Section 306(a)(1). Among other things, the rules specify the content and timing of the required notice to an issuer’s directors and executive officers and to the Commission. The required notice is a “collection of information” requirement.

Section 306(a) of the Act applies to directors and executive officers of issuers as defined in the Act, including any issuer (as defined in Section 3(a)(8) of the Exchange Act), the securities of which are registered under Section 12 of the Exchange Act, that is required to file reports under Section 15(d) of the Exchange Act or that files, or has filed, a registration statement that has not yet become effective under the Securities Act of 1933 (the “Securities Act”) and that has not been withdrawn.

2. Purpose and Use of the Information Collection

Section 306(a)(6) of the Act requires an issuer to provide timely notice to its directors and executive officers and to the Commission of the imposition of a blackout period that would trigger the statutory trading prohibition of Section 306(a)(1). The rules specify the content and timing of this required notice. The required notice is intended to make an issuer’s directors and executive officers aware of an impending blackout period so that they can conform their trading activities to comply with the statutory trading prohibition of Section 306(a)(1) of the Act. The required notice to an issuer’s directors and executive officers may take any graphic form that is reasonably accessible to the intended recipient. This requirement to prepare and provide notice to its directors and executive officers creates a compliance burden for issuers.

3. Consideration Given to Information Technology

The required notice to an issuer's directors and executive officers may take any graphic form that is reasonably accessible to the intended recipient, including electronic form.

4. Duplication of Information

There are no other public sources for the information that would be included in the notice required by Section 306(a)(6) of the Act. The rules specify the content and timing of this notice to an issuer's directors and executive officers and to the Commission about an impending blackout period.

5. Reducing the Burden on Small Entities

Compliance with the notice requirement of Section 306(a)(6) of the Act will create a compliance burden for issuers that are subject to Section 306(a), including those that are small businesses.

6. Consequences of Not Conducting Collection

Under Section 306(a)(6) of the Act, an issuer is required to provide timely notice each time there is a pension plan blackout period that prevents plan participants or beneficiaries from engaging in equity securities transactions. Less frequent collection of the required information would be inconsistent with the Congressional mandate of Section 306(a)(6) of the Act.

7. Special Circumstances

Not applicable.

8. Consultations with Persons Outside the Agency

Regulation BTR was proposed for public comment. No comments were received on this request during the 60-day comment period prior to OMB's review of this submission.

9. Payment or Gift to Respondents

Not applicable.

10. Confidentiality

Not applicable.

11. Sensitive Questions

This collection does not contain any personal identifiable Information (PII). The Privacy Impact Assessment (PIA) is provided as a supplemental document.

12. Estimate of Respondent Reporting Burden

We estimate that approximately 1,230 issuers file Notices approximately 5 times a year under Regulation BTR annually. We estimate that it takes 2 hours per response for an issuer to draft a notice to directors and executive officer for a total annual burden of 2,460 hours. The issuer prepares 75% of the 2,460 annual burden hours for a total reporting burden of $(1,230 \times 2\text{hrs} \times 0.75)$ 1,845 hours. In addition, we estimate that an issuer distributes 5 notices per director at an estimated 5 minutes per notice $(1,230 \text{ blackout periods} \times 5 \text{ notices} \times 5 \text{ minutes})$ for a total reporting burden of 512 hours. The combined reporting burden is $(1,845 \text{ hours} + 512 \text{ hours})$ 2,357 hours. The estimated hours are made solely for purposes of the Paperwork Reduction Act. They are not derived from a comprehensive survey or study of the cost of Commission rules and forms.

13. Estimate of Total Annualized Cost Burden

We attribute the remaining 25% of the 2,460 total annual burden hours (615 hours) to cost associated with the preparation of the required notice for directors and executive officers. We estimate that it costs \$405 per hour to prepare $(\$405 \times 615 \text{ hours} = 249,075)$ for a total cost burden of \$250,000. In addition, we estimate the cost of distributing paper copies to executives and directors to be 0.50 per notice $(0.50 \times 5 \text{ notices} \times 1,230 \text{ issuers})$ for a total cost burden of \$3,075. The combined cost burden of providing the required notice to an issuer's directors and executive officers is estimated $(250,000 + 3,075)$ to be approximately \$253,075 annually. For convenience the burden numbers are rounded. The cost are estimates made solely for purposes of the Paperwork Reduction Act and are not derived from a comprehensive survey or study of the cost of Commission rules and forms.

14. Costs to Federal Government

The estimated cost to the federal government is approximately \$25,000.00.

15. Reason for Change in Burden

Not applicable.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to Omit OMB Expiration Date

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable.

B. STATISTICAL METHODS

Not applicable.