

**SUPPORTING STATEMENT**  
for the Paperwork Reduction Act Information Collection  
Submission for Rules 6a-1 and 6a-2 and Form 1

**A. Justification**

1. Necessity of 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" of "Commission") in this framework is primarily one of oversight: the Exchange Act charges the SEC with supervising the national securities exchanges and assuring that each exchange 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 purposes 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's rules; and, among other things, 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 Exchange Act,<sup>2</sup> information that is intended to demonstrate whether the applicant can satisfy the statutory requirements for registration as a national exchange (or an exemption from registration) 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 and Use of 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 Rules 6a-1 and 6a-2 is necessary to enable the SEC to maintain accurate files regarding the exchange and to 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 has met the criteria for registration (or an exemption from

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

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

registration) set forth in Section 6 of the Exchange Act. Section 19 of the Exchange Act sets forth the SEC's process for its consideration of an application for registration as a national securities exchange. The amendments and periodic updates of information submitted pursuant to Rule 6a-2 are necessary to assist the Commission in determining whether a national securities exchange or exempt exchange is continuing to operate in compliance with the Exchange Act.

3. Consideration Given to Information Technology

Much of the information requested by the Form 1 consists of copies of existing documents. SEC staff is considering ways to reduce respondent's paperwork burden, including using electronic means to submit amendments to Form 1.

4. 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 Form 1.

5. Effects on Small Entities

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

6. Consequences of Not Conducting Collection

The information provided on the initial Form 1 is filed only when an entity seeks 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 a limited volume exemption. Such information is necessary to ensure that such entities continue to act in compliance with the Exchange Act.

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

There are no special circumstances. This collection of information is consistent with the guidelines in 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

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. Burden of Information Collection<sup>3</sup>

Initial filings on Form 1 by applicants seeking registration as a national securities exchange 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 one initial Form 1 filing per year. The SEC estimates that each respondent would incur an average burden of 880 hours<sup>4</sup> to file an initial Form 1 at an average cost for internal labor per response of approximately \$302,694. This figure was derived in the following manner:

704 hours of legal work at \$380/hr <sup>5</sup> =	\$267,520
176 hours of clerical work at \$199/hr <sup>6</sup> =	\$ 35,024
miscellaneous clerical expenses =	<u>\$ 150</u>

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<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> SEC staff notes that this number represents an average. SEC Staff estimate that the initial burden for an entirely new exchange would be somewhat higher, while the initial burden for an “add-on” exchange, *i.e.* an exchange application submitted by a company which currently operates one or more exchanges, would be slightly lower.

<sup>5</sup> Figure for an Attorney is from *SIFMA’s Management & Professional Earnings in the Securities Industry 2013*, 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>6</sup> Figure for a Paralegal is from *SIFMA’s Office Salaries in the Securities Industry 2013*, 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.

\$302,694

Therefore, the SEC estimates that the annual burden for all respondents to file the initial Form 1 would be 880 hours (one response/respondent x one respondent x 100 hours/response) and an internal compliance cost of \$302,694 (one response/respondent x one respondent x \$302,694/response).

There currently are eighteen entities registered as national securities exchanges. The Commission estimates that each registered (or exempt) exchange files nine amendments or periodic updates to Form 1 per year. The Commission 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 1. The SEC estimates that the average internal labor cost for a national securities exchange per response would be approximately \$9,445. These figures were derived in the following manner:

10 hours of legal work at \$380/hr =	\$5,700
10 hours of accounting work at \$265/hr =	\$2,650
5 hours of clerical work at \$199/hr=	\$ 995
miscellaneous clerical expenses =	<u>\$ 100</u>
	\$9,445

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 4,050 hours (18 respondents x 25 hours/response x nine responses/respondent per year) and an internal compliance cost of \$1,530,090 (18 respondents x \$9,445/response x nine responses/respondent per year).

13. Cost to Respondents

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. Cost to Federal Government

The operational cost to the SEC to review each initial Form 1 application is approximately \$176,230, representing 760 hours of staff time. These figures were derived in the following manner:

665 hours of legal work at \$255/hr =	\$169,575
95 hours of clerical work at \$69/hr =	\$ 6,555
Miscellaneous clerical expenses =	<u>\$ 100</u>
	\$176,230

The SEC estimates that processing initial Form 1 filings pursuant to Rule 6a-1 will result in annual staff burdens of 760 hours (one anticipated filing/year x 80 hours/filing) and \$176,230 (one anticipated filing/year x \$176,230/filing).

The operational cost to the SEC to review each amendment or periodic update pursuant to Rule 6a-2 is approximately \$982, representing six hours of staff time. These figures were derived in the following manner:

3 hours of professional work at \$255/hr =	\$ 765
3 hours of clerical work at \$69/hr =	\$ 207
Miscellaneous clerical expenses =	<u>\$ 10</u>
	\$ 982

The SEC estimates that processing the amendments and periodic updates of information pursuant to Rule 6a-2 results in annual staff burdens of 972 hours (nine responses/respondent x 18 respondents x six hours/response) and \$159,804 (nine responses/respondent x 18 respondents x \$982/response) per respondent. Overall, the Commission estimates that the reporting requirements under Rules 6a-1 and 6a-2 combined result in staff burdens of 1,732 hours (760 plus 972) and \$336,034 (\$176,230 plus \$159,804) per year.

#### 15. Changes in Burden

The estimated burdens 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 seventeen to eighteen. Additionally, as markets have become more complex, the amount of time it takes a respondent to complete an initial Form 1 application has increased. Due to this increased complexity, respondents and the Commission will often review applications in draft form, which further adds to the estimated number of hours an initial application will take. Previously, the estimates did not take into account the entirety of the process involved in submitting and reviewing such amendments. In addition, the Commission estimates that one initial application will be submitted annually by an entity seeking application as a national securities exchange, which amount is reduced from three as previously estimated. Finally, to reflect the addition of one national securities exchange and the cessation of operations of two exempt exchanges, the overall number of respondents has decreased from nineteen to eighteen.

For amendments submitted pursuant to Rule 6a-2, the number of hours to prepare such amendments, on average, has remained the same; however, SEC staff have included a line item for accounting, to reflect that exchanges are required to submit audited financials on an annual basis, and that such audited financials are prepared by accountants. In addition, SEC staff estimate a reduction in the number of clerical hours each amendment should take to submit. Lastly, the average number of amendments per

exchange has increased to reflect the actual increase in Rule 6a-2 submissions that the Commission has recently received.

16. Information Collected Planned for Statistical Purposes

Not applicable. This information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

The SEC is not seeking approval to omit the expiration date.

18. Exceptions to Certification

There are no exceptions. This collection complies with the requirements in 5 CFR 1320.9.

**B. Collections of Information Employing Statistical Methods**

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