

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 19d-1

A. JUSTIFICATION

1. Necessity of 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 actions with respect to any person; (2) denial, bar, prohibition, or limitation of membership, participation or association with a member or of access to services offered by an SRO or member thereof; (3) summarily suspending a member, participant, or person associated with a member, or summarily limiting or prohibiting any persons with respect to access to or services offered by the SRO or a member thereof; and (4) delisting a security.

The Rule enables the Commission to obtain reports from the SROs containing information regarding SRO determinations to delist a security, 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 Exchange 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 Exchange Act, 15 U.S.C. 78f, 78k-1, 78o, 78o-3, 78q, 78q-1, 78s, and 78w.

2. Purpose and Use of the Information Collection

The Commission uses the information provided in the submissions filed pursuant to Rule 19d-1 in its SRO oversight program. Rule 19(d)-1 under the Exchange Act requires SROs to “promptly” file notice with the Commission of any final action covered by the Rule. 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. Consideration Given to Information Technology

Submission of a written notice for review is the least burdensome and most effective means of giving the Commission notice of any SRO final action covered by the Rule. No improved information technology is generally available to respondents.

4. Duplication

There is no duplication of this notification process to the Commission.

5. Effect on Small Entities

Not applicable. Rule 19d-1 does not affect small entities because the SRO respondents do not meet the definition of “small entities” found in Rule 0-10 of the Exchange Act.

6. Consequences of Not Conducting Collection

The principal purpose of Rule 19d-1 is to provide the Commission with an opportunity to help ensure that SRO enforcement of the federal securities laws is performed diligently and fairly. Rule 19d-1 under 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)

There are no special circumstances. This collection 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

There has been no decision to provide any payment of gift to respondents.

10. Confidentiality

The Commission staff believes that notices filed pursuant to Rule 19d-1 are protected under the Freedom of Information Act. Several SROs, however, do make their final disciplinary actions available to the public.

11. Sensitive Questions

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

12. Burden of Information Collection

Based upon past submissions, we estimate that approximately eighteen respondents will utilize this notification procedure annually, with a burden of approximately 2,250 total hours. This figure represents approximately 125 hours spent, per respondent. It is estimated that each respondent will submit approximately 250 responses and it is estimated that each respondent will spend approximately 0.5 hours per response. The average cost per hour is approximately \$101, per response.¹ Therefore, the internal labor cost of compliance for all respondents is approximately \$227,250 (18 respondents x 250 responses per respondent x 0.5 hours per response x \$101 per hour).

13. Costs to Respondents

It is not anticipated that respondents will have to incur any capital and start-up costs, nor any additional operational or maintenance costs (other than as provided in Item 12), to comply with the collection of information.

14. Costs to Federal Government

From past experience, we estimate that the operational cost 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. Changes in Burden

There is no change in the hour burden from the last report.

16. Information Collections Planned for Statistical Purposes

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

17. Approval to Omit OMB Expiration Date

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

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 METHOD

This collection does not involve statistical methods.

¹ This hourly figure includes 35% overhead.