

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 12f-1

A. Justification

1. Necessity for Information Collection

Section 12(f) of the Securities Exchange Act of 1934 (the “Act”) governs when a national securities exchange may trade a security that is not listed and registered on that exchange, i.e., by extending unlisted trading privileges to the security.¹ Under Section 12(f)(2) of the Act, the Commission may, at any time within 60 days of commencement of trading on a national securities exchange of a security pursuant to unlisted trading privileges, suspend such unlisted trading privileges (“UTP”) on the exchange. Upon such suspension, the exchange shall, if it seeks to extend unlisted trading privileges to the security, file an application with the Commission to reinstate its ability to do so pursuant to such procedures as the Commission may prescribe by rule or order for the maintenance of fair and orderly markets, the protection of investors and the public interest, or otherwise in furtherance of the purposes of the Act.

Rule 12f-1 (the “Rule”), originally adopted in 1979 pursuant to Sections 12(f) and 23(a) of the Act, and as further modified in 1995 and 2005, sets forth the requirements for filing an exchange application to reinstate unlisted trading privileges in a security in which UTP has been suspended by the Commission pursuant to Section 12(f)(2)(A) of the Act. Under Rule 12f-1, an exchange must submit one copy of an application for reinstatement of UTP to the Commission that contains specified information, as set forth in the Rule. The application for reinstatement, pursuant to the Rule, must provide the name of the issuer, the title of the security, the name of each national securities exchange, if any, on which the security is listed or admitted to unlisted trading privileges, whether transaction information concerning the security is reported pursuant to an effective transaction reporting plan contemplated by Rule 601 of Regulation NMS, the date of the Commission’s suspension of unlisted trading privileges in the security on the exchange, and any other pertinent information related to whether the reinstatement of UTP in the subject security is consistent with the maintenance of fair and orderly markets and the protection of investors. Rule 12f-1 further requires a national securities exchange seeking to reinstate its ability to extend unlisted trading privileges in a security to indicate that it has provided a copy of such application to the issuer of the security, as well as to any other national securities exchange on which the security is listed or admitted to unlisted trading privileges.

¹ Section 12(f) of the Act and Rule 12f-1 thereunder were modified in 1995 after the Unlisted Trading Privileges Act of 1994 (“UTP Act”) took effect on October 22, 1994. Prior to such modification and the UTP Act, Section 12(f) and Rule 12f-1 thereunder required exchanges to apply to the Commission before extending unlisted trading privileges to a particular security. See Securities Exchange Act Release No. 35637 (Apr. 21, 1995). See also Securities Exchange Act Release No. 51808 (Jun. 9, 2005) (making conforming amendments to Rule 12f-1 relating to the adoption of Regulation NMS).

2. Purposes and Use of Information Collection

The information required by Rule 12f-1 enables the Commission to make the necessary findings under the Act prior to granting applications to reinstate unlisted trading privileges. This information is also made available to members of the public who may wish to comment upon the applications. Without the Rule, the Commission would be unable to fulfill these statutory responsibilities.

3. Consideration Given to Information Technology

Not applicable.

4. Duplication

Not applicable; there is no duplication of information. Each reinstatement of unlisted trading privileges must be handled individually.

5. Effect on Small Entities

None. The only potential respondents are national securities exchanges, and no exchange is a small business as that term applies to this Item 5.

6. Consequences of Not Conducting Collection

The information is collected at a time determined by the respondent and there is no way to require less frequent collection without undermining the purposes of the Rule.

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

The requirements of the Rule are consistent with the general information collection guidelines imposed for public protection as set forth 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; no payments or gifts are required to be made or are made to respondents.

10. Confidentiality

Not applicable; the Rule contains no assurance of confidentiality. The information collected is public information.

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

There are 21 national securities exchanges subject to Rule 12f-1. The burden of complying with Rule 12f-1 arises when a potential respondent seeks to reinstate its ability to extend unlisted trading privileges to any security for which unlisted trading privileges have been suspended by the Commission, pursuant to Section 12(f)(2)(A) of the Act. The staff estimates that each application would require approximately one hour to complete. Thus each potential respondent would incur on average one burden hour in complying with the Rule.

The Commission staff estimates that there could be as many as 21 responses annually for an aggregate annual hour burden for all respondents of 21 hours (21 responses x 1 hour per response). Each respondent's related internal cost of compliance for Rule 12f-1 would be \$221 or, the cost of one hour of professional work of a paralegal needed to complete the application.² The total annual cost of compliance for all potential respondents, therefore, is \$4,641 (21 responses x \$221 per response).

13. Cost to Respondents

Not applicable; (a) it is not anticipated that respondents will have to incur any capital and start-up costs to comply with the Rule; (b) it is not anticipated that the respondents will have to incur any additional operational or maintenance costs (other than as provided in Item 12) to comply with the Rule.

14. Cost to Federal Government

There are no agency records prior to fiscal year 1981 that would permit the Commission staff to compute the cost of developing the Rule. Regarding ongoing costs to the federal government, the Commission staff estimates that the operational costs of processing a typical Rule 12f-1 application would be approximately \$380. This estimate is based on the staff time required to review and process such application, and related overhead costs, in accordance with the formulas set forth in the GSA, Guide to Estimating Reporting Costs (1973).

² \$221 per hour figure for a paralegal is from Securities Industry and Financial Markets Association's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

15. Explanation of Changes in Burden

The increase in burden from 18 to 21 hours reflects an increase in the overall number of national securities exchanges from 18 to 21.

16. Information Collection Planned for Statistical Purposes

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

17. Approval to Omit the 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 Methods

This collection does not involve statistical methods..