

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
“Rule 12f-3”

A. Justification

1. Necessity of Information Collection

Section 12(f) of the Securities Exchange Act of 1934 (“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)(4) of the Act, on the application of the issuer of any security for which unlisted trading privileges on any exchange have been continued or extended pursuant Section 12(f) of the Act, or of certain other parties, the Commission shall by order terminate, or suspend for a period not exceeding 12 months, such unlisted trading privileges for such security if the Commission finds, after appropriate notice and opportunity for hearing, that such termination or suspension is necessary or appropriate in the public interest or for the protection of investors.

Rule 12f-3 (“Rule”), which was originally adopted in 1955 pursuant to Sections 12(f) and 23(a) of the Act, and as further modified in 1995, sets forth the requirements to submit an application to the Commission for termination or suspension of unlisted trading privileges in a security, as contemplated under Section 12(f)(4) of the Act. In addition to requiring that one copy of the application be filed with the Commission, the Rule requires that the application contain specified information. Under the Rule, an application to suspend or terminate unlisted trading privileges must provide, among other things, the name of the applicant; a brief statement of the applicant’s interest in the question of termination or suspension of such unlisted trading privileges; the title of the security; the name of the issuer; certain information regarding the size of the class of security, the public trading volume and price history in the security for specified time periods on the subject exchange and a statement indicating that the applicant has provided a copy of such application to the exchange from which the suspension or termination of unlisted trading privileges are sought, and to any other exchange on which the security is listed or admitted to unlisted trading privileges.

¹ Section 12(f) of the Act and Rules 12f-1 and 12f-3 thereunder, among others, 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. Furthermore, prior to such modification, Rule 12f-3 required that a national securities exchange promptly notify the Commission by filing a Form 28 upon the suspension or termination pursuant to the rules of the exchange of unlisted trading privileges for a security. This requirement to file a Form 28 was removed in 1995. See Securities Exchange Act Release No. 35637 (Apr. 21, 1995).

2. Purpose and Use of the Information Collection

The information required to be included in applications submitted pursuant to Rule 12f-3, is intended to provide the Commission with sufficient information to make the necessary findings under the Act to terminate or suspend by order the unlisted trading privileges granted a security on a national securities exchange. 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 suspension or termination of unlisted trading privileges must be processed individually.

5. Effect on Small Entities

The information collection required by the rule is neither extensive nor unduly burdensome and would not require different procedures for small entities.

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 Commission

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

The burden of complying with Rule 12f-3 arises when a potential respondent, having a demonstrable bona fide interest in the question of termination or suspension of the unlisted trading privileges of a security, determines to seek such termination or suspension. The staff estimates that each such application to terminate or suspend unlisted trading privileges requires 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 18 responses² annually for an aggregate burden for all respondents of 18 hours. Each respondent's related internal cost of compliance for Rule 12f-3 would be \$221.00, or, the cost of one hour of professional work of a paralegal needed to complete the application.³ The total annual internal cost of compliance for all potential respondents, therefore, is \$3,978.00 (18 responses x \$221.00 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-3 application would be approximately \$372. This estimate is based on the staff time

² The estimate for potential responses has not changed since the last PRA renewal because the Commission has not received any applications pursuant to Rule 12f-3.

³ \$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.

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).

15. Changes in Burden

Not applicable.

16. Information Collections Planned for Statistical Purposes

Not applicable.

17. Approval to Omit the OMB Expiration Date

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

18. Exceptions to Certification

This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods

Not applicable; the collection of information does not employ statistical methods.