

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 15c2-8 – Delivery of Prospectus**

**A. JUSTIFICATION**

**1. Information Collection Necessity**

Rule 15c2-8 of the Securities Exchange Act of 1934 ("Exchange Act") requires broker-dealers to deliver preliminary and/or final prospectuses to certain people under certain circumstances. In connection with securities offerings generally, including initial public offerings ("IPOs"), the rule requires broker-dealers to take reasonable steps to distribute copies of the preliminary or final prospectus to anyone who makes a written request, as well as any broker-dealer who is expected to solicit purchases of the security and who makes a request. In connection with IPOs, the rule requires a broker-dealer to send a copy of the preliminary prospectus to any person who is expected to receive a confirmation of sale (generally, this means any person who is expected actually to purchase the security in the offering) at least 48 hours prior to the sending of such confirmation. This requirement is sometimes referred to as the "48 hour rule."

Additionally, managing underwriters are required to take reasonable steps to ensure that all broker-dealers participating in the distribution of or trading in the security have sufficient copies of the preliminary or final prospectus, as requested by them, to enable such broker-dealer to satisfy their respective prospectus delivery obligations pursuant to Rule 15c2-8, as well as Section 5 of the Securities Act of 1933 ("Securities Act").

Rule 15c2-8 implicitly requires that broker-dealers collect information, as such collection facilitates compliance with the rule. There is no requirement to submit collected information to the Commission. In order to comply with the rule, broker-dealers participating in a securities offering must keep accurate records of persons who have indicated interest in an IPO or requested a prospectus, so that they know to whom they must send a prospectus.

The Commission is statutorily authorized by Section 15(c)(2) of the Exchange Act, 15 U.S.C. 78o(c)(2), to adopt rules and regulations that define and prescribe means reasonably designed to prevent such acts and practices as are fraudulent, deceptive, or manipulative. Further statutory authority is found in Section 23(a) of the Exchange Act, 15 U.S.C. 78w.

**2. Information Collection Purpose and Use**

The purpose of the 48 hour rule is to ensure that in an IPO, where there is limited information about the company selling its shares publicly for the first time, the investor has sufficient time to evaluate the investment prior to committing to a purchase. The purpose of the other provisions is to specify clearly the broker-dealer's role in disseminating prospectuses in connection with a public offering. If the 48 hour rule were not in place, investors wishing to participate in an IPO might find themselves forced to make an investment decision without having ready access to full disclosure concerning the offering. Likewise, if the other provisions were not in

place, it would likely be more difficult for investors to obtain information on the offering. The rule specifies how and when prospectuses are to be delivered by broker-dealers.

### **3. Consideration Given to Information Technology**

Improvements in telecommunication and data processing technology reduce regulatory burdens that might otherwise result from Rule 15c2-8. The Commission is not aware of any technical or legal obstacles to reducing the burden through the use of improved information technology.

### **4. Duplication**

Subject to certain exceptions, Section 5(b) of the Securities Act prohibits the sale of securities in interstate commerce unless preceded or accompanied by a prospectus that satisfies the requirements of Section 10 of that act. Rule 15c2-8 under the Exchange Act specifies the role of broker-dealers in ensuring that the requirement of prospectus delivery is effectuated in a meaningful way. Though the rule does not purport to specify how prospectus delivery is to be achieved in all situations, the rule is intended to address a number of situations in which broker-dealers may seek guidance on the scope and extent of their role in ensuring the delivery of prospectuses where required by the Securities Act, and applicable rules thereunder.

### **5. Effect on Small Entities**

The information requirements of Rule 15c2-8 apply equally to all issuers of publicly traded securities when engaging in the sorts of distributions covered by the rule. The Commission believes that the requirements of Rules 15c2-8 are not unduly burdensome on small entities.

### **6. Consequences of Not Conducting Collection**

Not applicable.

### **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**

Not applicable.

## **10. Confidentiality**

No assurance of confidentiality is provided.

## **11. Sensitive Questions**

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

## **12. Information Collection Burden**

In order to comply with the rule, broker-dealers participating in a securities offering must keep accurate records of persons who have indicated interest in an IPO or requested a prospectus, so that they know to whom they must send a prospectus. The time required to compile such information varies based on whether the deal is an equity IPO.

In 2016, there were 119 equity IPOs in the United States. Estimating that all broker-dealers participating collectively will require 50 hours to keep accurate records of investor interest in each IPO, the recordkeeping burden for complying with Rule 15c2-8(b) is approximately 5950 hours (119 x 50). There were 4064 broker-dealers registered with the Commission as of the end of 2016. Assuming each one is a potential respondent, the estimated reporting burden for each respondent is 1.46 hours (5950 / 4064).

The number of debt and non-IPO equity offerings in the United States for 2016 was 2330. The recordkeeping burden for these offerings for purposes of compliance with the other provisions of the rule is estimated at 10 hours, for a total of approximately 23,300 hours (2330 x 10). There were 4064 broker-dealers registered with the Commission as of the end of 2016. Assuming each one is a potential respondent, the estimated reporting burden for each respondent is 5.73 hours (23,300 / 4064).

Estimating that records are to be kept by a compliance attorney or other related personnel paid at an hourly rate of \$358, the total internal annualized cost burden for recordkeeping is  $\$10,471,500 = ((\$358 \times 5950) + (\$358 \times 23,300))$ .

## **13. Costs to Respondents**

The annualized cost burden to comply with Rule 15c2-8 is limited to copying and mailing. These costs are estimated to be approximately \$100,000 per equity IPO, for a total of \$11,900,000 = (119 x \$100,000) for those offerings. For other offerings, the Commission estimates the cost to be approximately \$20,000 per offering if prospectuses are sent to all interested investors; however, the Commission only expects 2% of investors to request a prospectus. Thus, the Commission estimates the annualized cost burden for these other offerings to be a total of \$932,000 = (2330 x \$20,000 x 2%). Other costs are expected to be de minimis, as they would be incurred for purposes

of complying with Securities Act provisions. The total annualized cost burden is therefore \$12,832,000= (\$11,900,000+ \$932,000).

**14. Costs to Federal Government**

The government does not experience any direct costs based on the recordkeeping required pursuant to Rule 15c2-8.

**15. Changes in Burden**

The change in the estimated reporting burden is based on a current estimate of the number of offerings covered by Rule 15c2-8, and the change in the number of broker-dealers is based on the current number of Broker-Dealers filing FOCUS Reports with the Commission.

**16. Information Collection Planned for Statistical Purposes**

Not applicable. The information collection 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 the Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

**B. Collecting Information Employing Statistical Methods**

This collection does not involve statistical methods.