

**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,<sup>3</sup> 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

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

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

<sup>3</sup> 17 CFR 249.1.

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 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 respondents' 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

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic work-related Personally Identifiable Information (PII) that may include the name, mailing address, business telephone number and fax number of the applicant; the name, address, job title, and phone number of a contact employee, and the name and address of counsel.

12. Burden of Information Collection<sup>4</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>5</sup> to file an initial Form 1 at an average internal compliance cost per response of approximately \$335,984. This figure was derived in the following manner:

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<sup>4</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>5</sup> SEC staff notes that this number represents an average. SEC staff estimates 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 an entity that currently operates one or more exchanges, would be slightly lower.

704 hours of legal work at \$422/hr <sup>6</sup> =	\$297,088
176 hours of clerical work at \$221/hr <sup>7</sup> =	\$ 38,896
miscellaneous clerical expenses =	<u>\$ 150</u>
	\$335,984

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 \$335,984 (one response/respondent x one respondent x \$335,984/response).

There currently are 21 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 compliance cost for a national securities exchange per response would be approximately \$8,365. These figures were derived in the following manner:

10 hours of legal work at \$422/hr =	\$4,220
10 hours of accounting work at \$294/hr <sup>8</sup> =	\$2,940
5 hours of clerical work at \$221/hr =	\$1,105
miscellaneous clerical expenses =	<u>\$ 100</u>
	\$8,365

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 4,725 hours (21 respondents x 25 hours/response x 9 responses/respondent per year) and an internal compliance cost of \$1,580,985 (21 respondents x \$8,365/response x 9 responses/respondent per year).

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<sup>6</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 inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>7</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 inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>8</sup> Figure for a General Accounting Manager 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 inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

Summary of Hourly Burdens

<b>Rule</b>	<b>Burden Type</b>	<b>Number of Respondents</b>	<b>Number of Annual Responses Per Respondent</b>	<b>Time Per Response (Hours)</b>	<b>Total Burden Per Burden Type (Hours)</b>
<b>Rule 6a-1 (Initial Form 1 Application)</b>	Initial Reporting	1	1	880	880
<b>Rule 6a-2 (Periodic Form 1 Amendments)</b>	Periodic Reporting	21	9	25	4,725
<b>Total Aggregate Burden</b>					<b>5,605</b>

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 \$195,610, representing 760 hours of staff time. These figures were derived in the following manner:

665 hours of professional work at \$283/hr <sup>9</sup>	=	\$188,195
95 hours of clerical work at \$77/hr <sup>10</sup>	=	\$ 7,315
Miscellaneous clerical expenses	=	<u>\$ 100</u>

<sup>9</sup> The \$283 per hour estimate for SEC management and professional staff is a CPI inflation adjustment from the 2009 estimate. The 2009 estimate for SEC professionals (\$235) was the average of the midpoints of the Washington, DC annual salaries for Grades SK-11 and SK-12 employees, divided by the OMB standard of 2,087 hours and multiplied by 5.35 to account for benefit and overhead costs.

<sup>10</sup> The \$77 per hour estimate for SEC office staff is a CPI inflation adjustment from the 2009 estimate. The 2009 estimate for SEC office workers (\$60) was the midpoint of the Washington, DC annual salary for a Grade SK-5 employee, divided by the OMB standard of 2,087 hours and multiplied by 2.93 to account for benefit and overhead costs.

\$195,610

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 760 hours/filing) and \$195,610 (one anticipated filing/year x \$195,610/filing).

The operational cost to the SEC to review each amendment or periodic update pursuant to Rule 6a-2 is approximately \$1,090, representing six hours of staff time. These figures were derived in the following manner:

3 hours of professional work at \$283/hr =	\$ 849
3 hours of clerical work at \$77/hr =	\$ 231
Miscellaneous clerical expenses =	<u>\$ 10</u>
	\$1,090

The SEC estimates that processing the amendments and periodic updates of information pursuant to Rule 6a-2 results in annual staff burdens of 1,134 hours (9 responses/respondent x 21 respondents x 6 hours/response) and \$206,010 (9 responses/respondent x 21 respondents x \$1,090/response) per respondent. Overall, the Commission estimates that the reporting requirements under Rules 6a-1 and 6a-2 combined result in staff burdens of 1,894 hours (760 plus 1,134) and \$401,620 (\$195,610 plus \$206,010) per year.

15. Changes in Burden

The estimated burden associated with Rule 6a-2 has 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 18 to 21.

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.