

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 6h-1**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

The Securities Exchange Act of 1934, as amended (“Exchange Act”),<sup>1</sup> provides a framework for self-regulation under which various entities involved in the securities business, including national securities exchanges and national securities associations, have primary responsibility for regulating their members or participants. The role of the Securities and Exchange Commission (“Commission”) in this framework is primarily one of oversight; the Exchange Act charges the Commission with the responsibility for assuring that each of these self-regulatory organizations (“SROs”) complies with and advances the policies of the Exchange Act.

The Commodity Futures Modernization Act of 2000 (“CFMA”)<sup>2</sup> amended the Exchange Act by allowing the trading of futures on individual securities or on narrow-based security indexes (collectively, “security futures products”) and providing a framework for the joint regulation of trading in security futures products by the Commission and the Commodity Futures Trading Commission.

Section 6(h) of the Exchange Act<sup>3</sup> provides that, prior to trading security futures products, a national securities exchange or national securities association must file with the Commission under Section 19(b) of the Exchange Act<sup>4</sup> listing standards for such security futures products. The Exchange Act, as amended by the CFMA, provides that such listing standards must require, among other things, that: (1) trading in security futures products not be readily susceptible to price manipulation,<sup>5</sup> and (2) the market on which a security futures product trades has in place procedures to coordinate trading halts with the listing market for the security or securities underlying the security futures product.<sup>6</sup> To further these statutory mandates, Rule 6h-1 under the Exchange Act<sup>7</sup> requires that: (1) the final settlement price of cash-settled security futures products fairly reflect the opening price of the underlying security or securities, rather than the closing price, on the grounds that settlement based on the closing price creates greater volatility and more opportunity for price manipulation; and (2) the rules of an SRO that trades

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<sup>1</sup> 15 U.S.C. 78a et seq.

<sup>2</sup> Pub. L. No. 106-554, 114 Stat. 2763 (2000) (codified in scattered sections of 7 U.S.C.).

<sup>3</sup> 15 U.S.C. 78f(h).

<sup>4</sup> 15 U.S.C. 78s(b).

<sup>5</sup> See 15 U.S.C. 78f(h)(3)(H).

<sup>6</sup> See 15 U.S.C. 78f(h)(3)(K).

<sup>7</sup> 17 CFR 240.6h-1.

security futures products must provide that trading of a securities futures product will be halted at all times that a regulatory halt has been instituted for the underlying security, in the case of a security futures product based on a single security, or for one or more underlying securities that constitute 50% or more of the market capitalization of the underlying narrow-based security index, in the case of a security futures product based on a narrow-based security index.

## **2. Purpose and Use of the Information Collection**

Rule 6h-1 results in proposed rule changes being filed by an SRO that is a national securities exchange or national securities association that wishes to trade security futures products with the Commission pursuant to Section 19(b) of the Exchange Act.<sup>8</sup> The Commission reviews these rule changes to ascertain whether the SRO's security futures product listing standards are in compliance with the listing requirements for security futures products set forth in the Exchange Act. Moreover, any listing standards established by an SRO must be published in the Federal Register, thereby providing the public with the opportunity to review and offer input on the SRO's proposed rule changes.

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

SROs file proposed rule changes pursuant to Section 19(b) of the Exchange Act electronically with the Commission through SRTS. The preparation and filing of the proposed rule changes relating to listing standards for security futures products, and the extent to which such proposed rule changes involve the use of information technology, reflects the complexity of the SRO's business. Improved technology, therefore, would not reduce the respondents' burden in making these filings.

## **4. Duplication**

The Commission does not believe that SROs' compliance with the relevant provisions of the Exchange Act would entail any duplicative filing requirements.

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

Not applicable. No small business entities are involved.

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

If an SRO did not file its listing standards for security futures products with the Commission, the Commission would not be able to publish them in the Federal Register, and the public would be denied a principal means by which to review and offer input on SRO rules.

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<sup>8</sup> 15 U.S.C. 78s(b).

**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. No payments or gifts are required to be made or are made to respondents.

**10. Confidentiality**

Not applicable. Any SRO rule filing would be published in the Federal Register.

**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**

A national securities exchange or national securities association that lists or trades security futures products would incur a one-time burden to comply with the collection of information request contained in Rule 6h-1 at the time it seeks to list or trade security futures products. The Commission estimates that there will be one respondent to the collection of information request per year. There are currently three futures markets that are registered as national securities exchanges under Section 6(g) of the Exchange Act<sup>9</sup> and one futures association (collectively, "Futures Markets") that must already comply with Rule 6h-1 to the extent they list or trade securities futures products. These existing Futures Markets will incur no new collection of information burden pursuant to Rule 6h-1. In addition, a designated contract market not already registered as a national securities exchange under Section 6(g) of the Exchange Act may register with the Commission to list and trade security futures products. Accordingly, the Commission estimates that one such entity will seek to list or trade security futures products each year and thereby incur a one-time burden to comply with the collection of information request contained in Rule 6h-1.

The Commission believes that respondents would have to devote some professional resources to review Rule 6h-1 and to ensure that their listing standards (and the rule filings to implement them) are consistent with Rule 6h-1. The Commission estimates that this annual reporting burden, per respondent, would be as follows:

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<sup>9</sup> 15 U.S.C. 78f(g).

10 hours of legal work at \$401/hour<sup>10</sup> = \$4,010

The Commission estimates that the total hourly reporting burden for all respondents would be 10 hours per year (10 hours/respondent x 1 respondent). The Commission estimates that the resultant total internal cost of compliance associated with this hourly burden for the respondents would be \$4,010 (\$4,010/respondent x 1 respondent). The Commission believes that these are one-time burdens that would not recur.

<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>
6h-1	Reporting	1	1	10	10
<b>Total Aggregate Burden</b>					10

### **13. Costs to Respondents**

Not applicable. The Commission does not anticipate that respondents would have to incur any capital or start-up costs, nor any additional operational or maintenance costs (other than as provided in Item 12), to comply with the collection of information requirements associated with Rule 6h-1.

### **14. Costs to Federal Government**

The Commission does not believe that Rule 6h-1 would result in any cost to the federal government that has not already been accounted for in the Paperwork Reduction Act Information Collection submission for Form 19b-4.<sup>11</sup> Even in the absence of Rule 6h-1, any SRO that wishes to trade security futures products would have to submit to the Commission a proposed rule change under Section 19(b) of the Exchange Act<sup>12</sup> to establish listing standards for such products. Rule 6h-1 may affect the content of these filings, but not their number or length.

### **15. Changes in Burden**

There is no change in the hourly burden associated with this information collection or to the number of respondents affected by this information.

<sup>10</sup> \$401/hour figure for an Attorney is from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1,800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. This figure is also adjusted for inflation.

<sup>11</sup> See OMB Control No. 3235-0045 (Aug. 19, 2016), 81 FR 57946 (Aug. 24, 2016) (Request to OMB for Extension of Rule 19b-4 and Form 19b-4 PRA).

<sup>12</sup> 15 U.S.C. 78s(b).

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

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 Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.