

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 19d-3; OMB No. 3235-0204**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Rule 19d-3 (“Rule”) under the Securities Exchange Act of 1934 (the “Exchange Act”) prescribes the form and content of applications to the Securities and Exchange Commission (“Commission”) for review of final actions by self-regulatory organizations (“SRO”) imposing final disciplinary sanctions, denials of membership or participation, bars from association with a member firm, or prohibitions or limitations of access to services offered by the SRO or member thereof.

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

The Commission uses the information provided in the application filed pursuant to Rule 19d-3 to review final actions taken by SROs including: (1) final disciplinary sanctions; (2) denial or conditioning of membership or participation; (3) bars from association; and (4) prohibitions or limitations of access to services offered by a SRO or member thereof.

**3. Consideration Given to Information Technology**

Submission of a written application for review is the least burdensome and most effective means of giving the Commission notice of the applicant’s intent.

**4. Duplication**

There is no duplication of this application process to the Commission.

**5. Effect on Small Entities**

Rule 19d-3 affects small entities because the universe of potential respondents includes natural persons and firms that meet the definition of “small entities” found in Rule 0-10 of the Exchange Act. Most applications involve natural persons or firms that meet the definition of “small entities.” There are some applications from firms that do not meet the definition of “small entities,” but these are relatively uncommon.

**6. Consequences of Not Conducting Collection**

The filing of an application is discretionary for the applicants; therefore a less frequent collection is not available to the Commission.

**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**

There has been no decision to provide any payment or gift to respondents.

**10. Confidentiality**

No assurance of confidentiality is provided to applicants.

**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 Personally Identifiable Information (PII) that may include name, home address, zip code, employee ID, occupation, job title, work address, certificate/license number, work history and civil or criminal history. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has determined that the information collection does not trigger the Privacy Impact Assessment (PIA) requirement.

**12. Burden of Information Collection**

Based upon past submissions, we estimate that each application will require approximately eighteen hours spent per respondent. Some applicants hire outside counsel, and other applicants draft the applications themselves. In our experience the number of applicants who represent themselves varies considerably from year to year. We estimate that approximately 20 applicants would draft the applications themselves, and therefore incur an hourly burden, and that 20 would hire outside counsel, and therefore incur a cost burden (discussed in Item 13 below).

With respect to the 20 respondents who incur an hourly burden, we estimate that approximately 5 are firms that may incur internal labor costs of approximately \$298, per hour, per

response.<sup>1</sup> Therefore, the internal labor cost of compliance for these respondents is approximately \$26,820 (assuming 5 submissions from firms x 18 hours per response x \$298 per hour). We estimate that the remaining 15 are natural persons who complete the forms themselves, and therefore we do not estimate an internal labor cost of compliance for these respondents.

<b>Summary of Hourly Burdens (Annual)</b>					
<b>Name of Information Collection</b>	<b>Type of Burden</b>	<b>Number of Entities</b>	<b>Number of Responses per Entity</b>	<b>Burden per Response</b>	<b>Total Industry Burden</b>
Rule 19d-3 Applications	Recordkeeping	20	1	18	360
<b>TOTAL BURDEN</b>					<b>360</b>

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

Respondents may incur costs if they hire counsel to prepare their applications. As noted previously, some applications are submitted by parties who file their applications *pro se*. However, some parties may hire counsel and incur related costs. We estimate that 20 respondents may hire outside counsel. We estimate this cost to be \$169,920 (estimate of 20 respondents x 18 hours per response x \$472 per hour).<sup>2</sup>

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<sup>1</sup> This estimate was calculated using a \$298 per hour wage for a Compliance Manager (assuming the firm has one), based on the Security Industry and Financial Markets Association's, *Management & Professional Earnings in the Securities Industry 2013*, which has been modified by Commission staff to account for an 1,800-hour work year as well as inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

<sup>2</sup> This estimate was calculated using a \$472 per hour wage for an outside Attorney, based on the Security Industry and Financial Markets Association's, *Management & Professional Earnings in the Securities Industry 2013*, which has been modified by Commission staff to account for an 1,800-hour work year as well as inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

Summary of Cost Burdens (Annual)						
Name of Information Collection	Type of Burden	Number of Respondents	Number of Responses per Respondent	Cost per Response	Hours Per Response	Total Industry Burden
Rule 19d-3 Applications	Recordkeeping	20	1	\$472	18	\$169,920
<b>TOTAL BURDEN</b>						<b>\$169,920</b>

**14. Costs to Federal Government**

Not Applicable.

**15. Changes in Burden**

We are increasing our estimated number of respondents from 6 to 20 in Item 12 and from 0 to 20 in Item 13. This increase is based on the periodic reports under Rule 900 of the Commission's Rules of Practice, 17 C.F.R. § 201.900. Those reports reflect that, for the periods between October 2015 and September 2018, the average number of new administrative proceedings instituted in SRO matters was 40 per year. (This figure also includes matters filed pursuant to Section 11A of the Securities Exchange Act of 1934, matters filed pursuant to Section 105(e) of the Sarbanes-Oxley Act of 2002, and remands from a Court of Appeals, but in our experience the number of these applications is *de minimis* compared with applications under Rule 19d-3).

Summary of Change in Hourly Burden (Annual)			
Previously Approved Burden	New Estimated Burden	Change in Burden	Reason for the Change
108 (6 responses, 18 hours per response)	360 (20 responses, 18 hours per response)	+252	The estimated number of respondents increased from 6 to 40, and we estimate that 20 of these would incur an hourly burden (the other 20 would incur a cost burden). The hourly burden per response of 18 hours remains unchanged
<b>TOTAL CHANGE IN</b>			<b>+252</b>

<b>BURDEN</b>	
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<b>Summary of Change in Cost Burden (Annual)</b>			
<b>Previously Approved Burden</b>	<b>New Estimated Burden</b>	<b>Change in Burden</b>	<b>Reason for the Change</b>
0	\$169,920	+\$169,920	We have added a new cost burden to reflect an estimate that on average 20 respondents use outside counsel to prepare their applications.
<b>TOTAL CHANGE IN</b>			<b>+\$169,920</b>
<b>BURDEN</b>			

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

Not applicable. The information collected 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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHOD**

This collection does not involve statistical methods.