

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 15c1-5
OMB Control No. 3235-0471

A. JUSTIFICATION

1. Necessity of Information Collection

The Securities and Exchange Commission (“Commission”) adopted Rule 15c1-5 (17 CFR 240.15c1-5) to protect the public by prohibiting a broker or dealer from inducing the purchase or sale of any security by any act, practice or course of business which would defraud or deceive any person. Rule 15c1-5 states that any broker-dealer controlled by, controlling, or under common control with the issuer of a security that the broker-dealer is trying to sell to or buy from a customer must give the customer written notification disclosing the control relationship at or before completion of the transaction. See Securities Exchange Act Release No. 34-1265 (June 25, 1937) (proposing the rule), and Securities Exchange Act Release No. 34-1330 (August 4, 1937) (adopting the rule).

The Commission is statutorily authorized by Section 15 of the Securities Exchange Act of 1934 (“Exchange Act”) 15 U.S.C. 780(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 in Section 23(a) of the Exchange Act, 15 U.S.C. 78w.

2. Purpose and Use of Information Collection

The information required by the rule is necessary for the execution of the Commission's mandate under the Exchange Act to prevent fraudulent, manipulative, and deceptive acts and practices by broker-dealers. In particular, the information required by the rule provides a potential investor with full knowledge of the control relationships of the broker-dealer. Without this disclosure, an investor would be at risk of making an uninformed investment choice based on advice from a broker who had a potential conflict of interest.

3. Consideration Given to Information Technology

Because compiling this information is done on an individual basis for each potential investor, improved information technology would not reduce the burden.

4. Duplication

There is no duplication of information.

5. Effect on Small Entities

The rule requirements are not unduly burdensome on smaller broker-dealers.

6. Consequences of Not Conducting Collection

Failure to collect the information will adversely impact the Commission’s ability to prevent fraud and deceptive practices by broker-dealers.

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 were no payments or gifts to respondents.

10. Confidentiality

No assurances of confidentiality are provided in the statute or the rule.

11. Sensitive Questions

The information collection does not collect PII. Therefore, the agency has determined that a SORN and PIA are not required in connection with the collection of information.

12. Burden of Information Collection

As of August 1, 2020, there are approximately 3,618 registered broker-dealers. Only 181 (about 5%) are likely to be involved in a control relationship with an issuer whose securities they are trying to sell or buy. It should take each respondent approximately 10 hours per year to prepare and distribute the written notifications required to comply with the rule. Thus, the total compliance burden per year is approximately 1,810 hours.

| Burden Type | Number of Respondents | Hours Per Year to Prepare and Distribute | Total Burden Per Year (Hours) |
|--------------------|------------------------------|---|--------------------------------------|
| Third Party | 181 | 10 | 1,810 |

| | | | |
|-------------------------------|--|--|--------------------|
| Disclosure | | | |
| Total Aggregate Burden | | | 1,810 hours |

The approximate internal cost per hour of complying with the collection of information imposed by Rule 15c1-5 is \$100, resulting in a total internal cost of compliance for all respondents of \$181,000 (1,810 hours @ \$100). This is, however, solely a monetization of the hour burden not a cost burden.

13. Cost to Respondents

There are no one time capital or start-up costs and no ongoing operation or maintenance costs imposed on respondents by the collection of information.

14. Cost to Federal Government

There is no estimated cost to the Federal Government.

15. Explanation of Changes in Burden

The estimated burden of collecting information pursuant to Rule 15c1-5 has decreased slightly because of a reduction in the number of broker-dealers affected by the rule.

16. Information Collections 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 Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.