

SUPPORTING STATEMENT  
FOR THE PAPERWORK REDUCTION ACT INFORMATION COLLECTION  
SUBMISSION FOR REGULATION BTR

A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

Regulation Blackout Trade Restriction (“Regulation BTR”) is the source that clarifies the scope and application of Section 306(a) of the Sarbanes-Oxley Act of 2002. Section 306(a)(1) of the Sarbanes-Oxley Act of 2002 (the “Act”) prohibits any director or executive officer of an issuer of any equity security registered under the Securities and Exchange Act of 1934, directly or indirectly, from purchasing, selling or otherwise acquiring or transferring an equity security of the issuer during any blackout period, if the director or executive officer acquired the equity security in connection with his or her service or employment. Section 306(a)(6) of the Act requires an issuer to provide timely notice to its directors and executive officers and to the Commission of the imposition of a blackout period that would trigger the statutory trading prohibition of Section 306(a)(1).

Rules implementing Section 306(a)(3) of the Act clarify the application and prevent evasion of the statutory trading prohibition of Section 306(a)(1). Among other things, the rules specify the content and timing of the required notice to an issuer’s directors and executive officers and to the Commission. The required notice is a “collection of information” requirement.

Section 306(a) of the Act applies to directors and executive officers of issuers as defined in the Act, including any issuer (as defined in Section 3(a)(8) of the Exchange Act), the securities of which are registered under Section 12 of the Exchange Act, that is required to file reports under Section 15(d) of the Exchange Act or that files, or has filed, a registration statement that has not yet become effective under the Securities Act of 1933 (the “Securities Act”) and that has not been withdrawn.

2. Purpose and Use of the Information Collection

Section 306(a)(6) of the Act requires an issuer to provide timely notice to its directors and executive officers and to the Commission of the imposition of a blackout period that would trigger the statutory trading prohibition of Section 306(a)(1). The rules specify the content and timing of this required notice. The required notice is intended to make an issuer’s directors and executive officers aware of an impending blackout period so that they can conform their trading activities to comply with the statutory trading prohibition of Section 306(a)(1) of the Act. The required notice to an issuer’s directors and executive officers may take any graphic form that is reasonably accessible to the intended recipient. This requirement to prepare and provide notice to its directors and executive officers creates a compliance burden for issuers.

3. Consideration Given to Information Technology

The required notice to an issuer's directors and executive officers may take any graphic form that is reasonably accessible to the intended recipient, including electronic form.

4. Duplication of Information

There are no other public sources for the information that would be included in the notice required by Section 306(a)(6) of the Act. The rules specify the content and timing of this notice to an issuer's directors and executive officers and to the Commission about an impending blackout period.

5. Reducing the Burden on Small Entities

Compliance with the notice requirement of Section 306(a)(6) of the Act will create a compliance burden for issuers that are subject to Section 306(a), including those that are small businesses.

6. Consequences of Not Conducting Collection

Under Section 306(a)(6) of the Act, an issuer is required to provide timely notice each time there is a pension plan blackout period that prevents plan participants or beneficiaries from engaging in equity securities transactions. Less frequent collection of the required information would be inconsistent with the Congressional mandate of Section 306(a)(6) of the Act.

7. Special Circumstances

There are no special circumstances.

8. Consultations with Persons Outside the Agency

No comments were received on this request during the 60-day comment period prior to OMB's review of this submission.

9. Payment or Gift to Respondents

No payment or gift has been provided to any respondents.

10. Confidentiality

Regulation BTR is a public document.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection does not collect personally identifiable information (PII). The agency has determined that a system of records notice (SORN) and privacy impact assessment (PIA) are not required in connection with the collection of information.

12. Estimate of Respondent Reporting Burden

**Estimated Reporting Burden**

Information Collection Title	OMB Control Number	Number of Responses	Burden Hours
Regulation BTR	3235-0579	6,150	2,357

We estimate that approximately 1,230 issuers file Notices approximately 5 times a year under Regulation BTR annually for a total 6,150 responses. We estimate that it takes approximately 2 hours per response for an issuer to draft a notice to directors and executive officer for an annual burden of 2,460 hours. We derived our burden hour estimates by estimating the average number of hours it would take an issuer to compile the necessary information and data, prepared and review disclosure, file documents and retain records. We believe the actual burdens will likely vary among individual issuers based on the nature of their operations. The issuer prepares 75% of the 2,460 annual burden hours for a reporting burden of  $((2.0 \text{ hours per response} \times 0.75) \times 1,230 \text{ responses})$  1,845 hours. In addition, we estimate that an issuer distributes 5 notices per director at an estimated 5 minutes per notice  $((5 \text{ notices} \times 5 \text{ minutes}) \times 1,230 \text{ blackout periods responses})$  for a reporting burden of 512 hours. The combined reporting burdens are (1,845 hours + 512 hours) for a total reporting burden 2,357 hours annually. For administrative convenience, the presentations of the burden hours totals have been rounded to the nearest whole number. The burden estimate for the hours is made solely for the purpose of the Paperwork Reduction Act.

13. Estimate of Total Annualized Cost Burden**Estimated Cost Burden**

Information Collection Title	OMB Control Number	Number of Responses	Cost Burden
Regulation BTR	3235-0579	6,150	\$253,000

We attribute the remaining 25% of the 2,460 total annual burden hours (615 hours) to cost associated with the preparation of the required notice for directors and executive officers. We estimate that it costs \$406.50 per hour to prepare (\$406.50 x 615 hours) for a total cost burden of \$250,000. In addition, we estimate the cost of distributing paper copies to executives and directors to be 0.4878 per notice (0.4878 cost per notice x 5 notices x 1,230 issuers) for a total cost burden of \$3,000. The combined cost burden of providing the required notice to an issuer's directors and executive officers is estimated (\$250,000 + 3,000) to be \$253,000 annually. Our estimates reflect average burdens, and therefore, some companies may experience costs in excess of our estimates and some companies may experience costs that are lower than our estimates. For administrative convenience, the presentations of the cost totals have been rounded to the nearest dollar. The cost estimate is made solely for purposes of the Paperwork Reduction Act.

14. Costs to Federal Government

The annual cost of reviewing and processing disclosure documents, including registration statements, post-effective amendments, proxy statements, annual reports and other filings of operating companies amounted to approximately \$103,479,690 in fiscal year 2019, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Reason for Change in Burden

There is no change in burden.

16. Information Collection Planned for Statistical Purposes

The information collection is not planned 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

There are no exceptions to certification for Paperwork Reduction Act submissions.

B. STATISTICAL METHODS

The information collection does not employ statistical methods.