

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission**  
**for Rule 19h-1 (OMB Control Number 3235-0259)**

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq.

A. Justification

1. Necessity of Information Collection

Rule 19h-1 (the “Rule”) under the Securities Exchange Act of 1934 (the “Exchange Act”) prescribes the form and content of notices and applications by self-regulatory organizations (“SROs”) regarding proposed admissions to, or continuances in, membership, participation or association with a member of any person subject to a statutory disqualification. The Rule was adopted on July 8, 1977, in response to changes made by the Securities Act amendments of 1975, and in order to codify procedures for Commission resolution of other issues relating to re-admission to, or continuance in, the securities business of persons subject to statutory disqualification. Rule 19h-1 was adopted pursuant to authority granted the Commission in Sections 6, 11A, 15, 15A, 17, 17A, 19, and 23 of the Exchange Act, 15 U.S.C. 78f, 78k-1, 78o, 78o-3, 78q, 78q-1, 78s, and 78w.

2. Purpose and Use of the Information Collection

The Commission uses the information provided in the submissions filed pursuant to Rule 19h-1 to review decisions of SROs to permit the entry into or continuance in the securities business of persons who have committed misconduct. The filings submitted pursuant to the Rule also permit inclusion of an application to the Commission for consent to associate with a member of an SRO notwithstanding a Commission order barring such association.

The Commission reviews filings made pursuant to the Rule to ascertain whether it is in the public interest to permit the employment in the securities business of persons subject to a statutory disqualification. The filings contain information that is essential to the staff's review and ultimate determination on whether an association or employment is in the public interest and consistent with investor protection. Without these filings, persons subject to a statutory disqualification could reenter or continue employment in the securities business without the Commission’s critical review of their character, ability to act as a fiduciary, and their employer's plan of supervision. The failure to collect and review this information could result in significant harm to the investing public.

3. Consideration Given to Information Technology

At this time, the Commission only accepts written submissions under the collection of information. The Commission believes that submission of a written notice for review is the least burdensome and most effective means of giving the Commission notice of the SRO’s intent.

4. Duplication

Not applicable. There is no duplication of this submission process to the Commission.

5. Effect on Small Entities

Rule 19h-1 does not have a significant economic impact on a substantial number of small entities.

6. Consequences of Not Conducting Collection

The principal purpose of Rule 19h-1 is to provide the Commission with an opportunity to ensure persons subject to statutory disqualification are not permitted to enter or to continue in the securities industry without the Commission's review of whether the entry or continuance is consistent with the public interest and the protection of investors. The information must be provided when persons who are subject to statutory disqualification seek to enter or to continue in the securities business. A less frequent reporting requirement would weaken the Commission's ability to ensure that investors are protected from persons who have committed misconduct that might affect their ability to act as a fiduciary. Moreover, a less frequent collection of information is not practical if the Commission is to have a meaningful and timely opportunity to review the proposed employment or continuance in the industry of such persons.

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.

10. Confidentiality

No assurance of confidentiality is provided.

11. Sensitive Questions

The form of the notice does not impose the burden of any questions of a sensitive nature.

The collection of information includes Personally Identifiable Information (“PII”).<sup>1</sup> In particular, the collection of information includes the following information about individuals, as described in the table below.

	<b><u>Nature of Information Collection Burden</u></b>	<b><u>PII Collected</u></b>
i.	19h-1(a) – Notice of admission or continuance notwithstanding a statutory disqualification	1. Name of the person concerned and last known place of residence or business as reflected on the records of the SRO 2. Qualifications, experience and disciplinary records of the proposed supervisors of the person and their family relationship (if any) to that person 3. A copy of a completed Form U-4 with the respect to the proposed association of such person. Form U-4 collects the person’s name, date of birth, social security number (“SSN”), employer address, place of birth, height, weight, hair color, eye color, residential address history, employment history, and criminal history. 4. Name and place of employment of any other associated person of the proposed employer who is subject to a statutory disqualification
ii.	19h-1(a)(4) – Notification of proposed admission or continuance pursuant to an exception from the notice requirements	1. Name of the person subject to statutory disqualification 2. Name of the person’s prospective supervisor(s)
iii.	19h-1(b) – Preliminary notifications	1. Name of the person subject to statutory disqualification 2. The person’s last known place of residence
iv.	19h-1(d) – Application to the Commission for relief from certain statutory disqualifications	1. Name of the person concerned and last known place of residence or business as reflected on the records of the SRO

<sup>1</sup> The term “Personally Identifiable Information” refers to information which can be used to distinguish or trace an individual’s identity, such as a person’s name, social security number, biometric records, etc. alone, or when combined with other personal or identifying information that is linked or linkable to a specific individual, such as date and place of birth, or mother’s maiden name.

	<b><u>Nature of Information Collection Burden</u></b>	<b><u>PII Collected</u></b>
		2. Qualifications, experience and disciplinary records of the proposed supervisors of the person and their family relationship (if any) to that person 3. A copy of a completed Form U-4 with the respect to the proposed association of such person. Form U-4 collects a person's name, date of birth, SSN, employer address, place of birth, height, weight, hair color, eye color, residential address history, employment history, and criminal history. 4. Name and place of employment of any other associated person of the proposed employer who is subject to a statutory disqualification

Pursuant to Rules 19h-1(a) and 19h-1(d), respondents will be required to submit a copy of a completed Form U-4. Form U-4 is a form adopted and used by the Financial Industry Regulatory Authority. Form U-4 requires the disclosure of certain PII, including an individual's name, date of birth, SSN, employer address, place of birth, height, weight, hair color, eye color, residential address history, employment history, and criminal history. While the Commission does not explicitly request SSNs as part of the collection of information, because Form U-4 collects the SSNs of natural persons, the Commission may indirectly receive SSNs as part of the collection of information. The Commission collects a copy of Form U-4 for informational purposes only in order to facilitate the staff's review and ultimate determination on whether an association or employment is in the public interest and consistent with investor protection.

The Commission has published a System of Records Notice for the collection of information relating to 19h-1.<sup>2</sup>

The information collection collects a broad range of personally identifiable information (PII) related to an SRO member or of any person subject to a statutory disqualification. The primary retrieval method is via date and company name, and not by a unique identifier. Based on the business practice of handling the information collection, the collection does not constitute a system of records under the Privacy Act. However, the SEC has privacy administrative, technical, and physical controls in place to protect the PII collected. The information collected is handled in accordance with the provisions of SORN SEC-03, Division of Trading and Markets Records, and stored in a database on a GSS network server, which is covered under the GSS PIA.

12. Burden of Information Collection

i. 19h-1(a) - Notice of admission or continuance notwithstanding a statutory disqualification

The notice required under Rule 19h-1(a) is an ongoing reporting burden. The Commission estimates that this collection of information would apply to approximately 20 SROs each year. The Commission estimates that each SRO would be required to submit a notice under Rule 19h-1(a) approximately 11 times each year. Finally, the Commission estimates that a SRO would spend on average approximately 80 hours submitting each notice required by Rule 19h-1(a).

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<sup>2</sup> See System of Records Notice SEC-18, available at <http://www.sec.gov/about/privacy/sorn/secsorn18.pdf>.

In summary, the Commission estimates that, the total reporting burden for completing and submitting the notice required by Rule 19h-1(a) would be 17,600 hours per year (20 total respondents x 11 responses per year per respondent x 80 hours per response = 17,600 hours per year).

ii. 19h-1(a)(4) – Notification of proposed admission or continuance pursuant to an exception from the notice requirements

The notification required under Rule 19h-1(a)(4) is an ongoing reporting burden. The Commission estimates that this collection of information would apply to approximately 20 SROs each year. The Commission estimates that each SRO would be required to submit a notification under Rule 19h-1(a)(4) approximately 9 times each year. Finally, the Commission estimates that a SRO would spend on average approximately 80 hours submitting each notice required by Rule 19h-1(a)(4).

In summary, the Commission estimates that the total reporting burden for completing and submitting the notification required by Rule 19h-1(a)(4) would be 14,400 hours per year when (20 total respondents x 9 responses per year per respondent x 80 hours per response = 14,400 hours per year).

iii. 19h-1(b) – Preliminary notifications

The notification required under Rule 19h-1(b) is an ongoing reporting burden. The Commission estimates that this collection of information would apply to approximately 20 SROs each year. The Commission estimates that each SRO would be required to submit a notification under Rule 19h-1(b) approximately 28 times each year. Finally, the Commission estimates that an SRO would spend on average approximately 13 hours submitting each notice required by Rule 19h-1(b).

In summary, the Commission estimates that the total reporting burden for completing and submitting the notification required by Rule 19h-1(b) would be 7,280 hours per year (20 total respondents x 28 responses per year per respondent x 13 hours per response = 7,280 hours per year).

iv. 19h-1(d) – Application to the Commission for relief from certain statutory disqualifications

The application required under Rule 19h-1(d) is an ongoing reporting burden. The Commission estimates that this collection of information would apply to approximately 20 SROs each year. The Commission estimates that applications under Rule 19h-1(d) will be submitted by SROs on behalf of the persons seeking relief.

The Commission estimates that an SRO would be required to submit an application under Rule 19h-1(d) approximately 5 times a year. Finally, the Commission estimates that an SRO would spend on average approximately 80 hours submitting each application required by

Rule 19h-1(d).

In summary, the Commission estimates that the total reporting burden for completing and submitting the application required by Rule 19h-1(d) would be 8,000 hours per year when (20 total respondents x 5 responses per year per respondent x 80 hours per response = 8,000 hours per year).

The aggregate annual burden for all respondents is thus approximately 47,280 hours (17,600 + 14,400 + 7,280 + 8,000).

v. Summary of hourly burdens

Nature of Information Collection Burden	Type of Burden	Total Number of Respondents	Total Number of Responses Per Year	Initial Burden Per Response Per Year Per Respondent	Ongoing Burden Per Response Per Year Per Respondent	Total Burden Per Year Per Respondent	Total Reporting Burden Per Year for All Respondents
19h-1(a) – Notice of proposed admission or continuance of a person, notwithstanding a statutory disqualification	Reporting	20	11	0	80	880	17,600
19h-1(a)(4) – Notification of proposed admission or continuance of a person pursuant to an exception from the notice requirements provided in 19h-1(a)(3)(ii), (iv), or (v)	Reporting	20	9	0	80	720	14,400
19h-1(b) – Notification of receipt of an application for admission to, or continuance in, participation or membership which would require a notice under 19h-1(a)	Reporting	20	28	0	13	364	7,280
19h-1(d) – Application for relief from certain statutory disqualifications	Reporting	20	5	0	80	400	8,000
<b>TOTAL</b>							47,280

13. Costs to Respondents

The Commission estimates that respondents will not seek outside assistance in completing the collection of information, and therefore, respondents will not experience any external costs in connection with the collection of information.

14. Cost to Federal Government

Not applicable.

15. Changes in Burden

There is no change in burden.

16. Information Collection Planned for Statistical Purposes



Not applicable.

17. OMB Expiration Date Display Approval

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.