

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 19d-1; 3235-0206

A. JUSTIFICATION

1. Necessity of Information Collection

Rule 19d-1 (“Rule”) under the Securities Exchange Act of 1934 (the “Exchange Act”), prescribes the form and content of notices to be filed with the Securities and Exchange Commission (“Commission”) by self-regulatory organizations (“SROs”) for which the Commission is the appropriate regulatory agency concerning the following final SRO actions: (1) disciplinary actions with respect to any person; (2) denial, bar, prohibition, or limitation of membership, participation or association with a member or of access to services offered by an SRO or member thereof; (3) summarily suspending a member, participant, or person associated with a member, or summarily limiting or prohibiting any persons with respect to access to or services offered by the SRO or a member thereof; and (4) delisting a security.

The Rule enables the Commission to obtain reports from the SROs containing information regarding SRO determinations to delist a security, discipline members or associated persons of members, deny membership or participation or association with a member, and similar adjudicated findings. The Rule requires that such actions be promptly reported to the Commission. The Rule also requires that the reports and notices supply sufficient information regarding the background, factual basis and issues involved in the proceeding to enable the Commission: (1) to determine whether the matter should be called up for review on the Commission’s own motion; and (2) to ascertain generally whether the SRO has adequately carried out its responsibilities under the Exchange Act. Rule 19d-1 was adopted on July 8, 1977, pursuant to authority granted the Commission in Sections 6, 11A, 15, 15A, 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 19d-1 in its SRO oversight program. Rule 19(d)-1 under the Exchange Act requires SROs to “promptly” file notice with the Commission of any final action covered by the Rule. The Commission would not be able to comply with certain provisions of the Exchange Act and to oversee the disciplinary activities of the SROs if this information was not reported.

3. Consideration Given to Information Technology

SROs submit notices electronically to the Commission’s Rule 19d-1 Filing System. If notices are received in paper format, they are scanned and uploaded to the electronic system. Because of the remote work environment due to the recent global pandemic, the 19d-1 notices have not been received (or uploaded) since at least early March, 2020.

4. Duplication

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

5. Effect on Small Entities

Not applicable. Rule 19d-1 does not affect small entities because the SRO respondents do not meet the definition of “small entities” found in Rule 0-10 of the Exchange Act.

6. Consequences of Not Conducting Collection

The principal purpose of Rule 19d-1 is to provide the Commission with an opportunity to help ensure that SRO enforcement of the federal securities laws is performed diligently and fairly. Rule 19d-1 under the Exchange Act requires that these notices be filed “promptly.”¹ Accordingly, a less frequent reporting requirement would weaken the Commission’s ability to oversee the disciplinary activities of the SROs in a timely fashion. Moreover, a less frequent collection of information is not practical if the Commission is to have a meaningful and timely opportunity to review any final action of an SRO.

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 of gift to respondents.

10. Confidentiality

No assurance of confidentiality is given, as the SROs generally make their final disciplinary actions available to the public as a matter of course.

¹ Reporting of minor rule violations is permitted on a simplified period basis (*e.g.*, quarterly) in accordance with plans filed by SROs pursuant to Rule 19d-1(c) and approved by the Commission.

11. Sensitive Questions

The information collection collects basic personally identifiable information including employee identification number, name, occupation, job title, work contact information, work history, and business associates. The collection of information constitutes a system of record for purposes of the Privacy Act, and is covered by SORN SEC-03 “Division of Trading and Markets Records, published on February 15, 2018 (available at <https://www.sec.gov/privacy>). In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a privacy impact assessment of the Rule 19d-1 Filing Tracking System, published on August 13, 2020 (available at <https://www.sec.gov/privacy>).

12. Burden of Information Collection

The Commission estimates that this rule imposes a total estimated industry burden of 912 hours per year. Based upon past submissions, we estimate that approximately nineteen respondents will utilize this notification procedure annually, with a burden of approximately 912 total hours. This figure represents approximately 48 hours spent, per respondent. It is estimated that each respondent will submit approximately 48 responses per year and it is estimated that each respondent will spend approximately 1 hour per response.² Based on available salary data, the Commission estimates that the internal cost per SRO is approximately \$319, per response.³ Therefore, the internal labor cost of compliance for all respondents is approximately \$290,928 (19 respondents x 48 responses x \$319 per response).

² For purposes of entering the estimated burdens into OMB’s ROCIS system, we have provided a number of respondents and then a number of responses per respondent. We note, however, that SROs submit varying numbers of notices and that the majority are submitted by the Financial Industry Regulatory Authority.

³ This estimate was calculated using a \$319 per hour wage for a Compliance Manager, 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 Hourly Burdens (Annual)							
Name of Information Collection	Type of Burden	Number of Entities	Number of Responses per Entity	Burden per Response	Total Burden Per Entity	Total Number of Responses	Total Industry Burden
Rule 19d-1 Notices	Reporting	19	48	1	48	912	912
TOTAL BURDEN							912

13. Costs to Respondents

It is not anticipated that respondents will have to incur any capital and start-up costs, nor any additional operational or maintenance costs (other than as provided in Item 12), to comply with the collection of information.

14. Costs to Federal Government

Not Applicable.

15. Changes in Burden

The Commission revised the burden to reflect the recent number of notices received per year. In 2019 there were a total of 780 submissions, in 2020 there were a total of 823 submissions and 400 in 2021. As a conservative measure, we are using an estimate that is approximately 10 percent higher (rounded up) than the largest annual submissions number. This resulted in an average of 48 responses per respondent.⁴ In addition, we are increasing the estimated number of respondents from 18 to 19 because in the past three years 19 SROs submitted notices. The overall change is a decrease in the estimated annual time burden from 1,350 hours to 912 hours.⁵ The 438 hour decrease is due to the fact that while the number of respondents has increased by one, the estimated number of responses per respondent has decreased from 75 to 48.

⁴ $(823 \times 1.1) / 18 = 47.647$, rounded up to 48.

⁵ In the 2019 extension, the Commission increased the estimated burden per response from 0.5 hours to 1 hour, as a conservative measure, in the event that some notices take more than 0.5 hours to prepare. We continue to believe that this is a conservative estimate and note that many notices may take only 0.5 hours to prepare.

Summary of Change in Burden (Annual)			
Previously Approved Burden	New Estimated Burden	Change in Burden	Reason for the Change
1,350	912	-438	The estimated number of responses per respondent decreased from 75 to 48 based on data from recent filings.
BURDEN			TOTAL CHANGE IN
			-438

16. Information Collections Planned for Statistical Purposes

Not applicable. The information currently 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.