

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 will be required under the collection of information. The agency has determined that neither a PIA nor SORN are required in connection with the collection of information.

12. Burden of Information Collection

We estimate that 32 respondents will file applications pursuant to Rule 19b-3 each year. Based upon past submissions, we estimate that each application will require approximately 18 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 16 applicants would draft the applications themselves, and therefore incur an hour burden (a total hour burden of 288 hours per year for these 16 applicants), and that 16 would hire outside counsel, and therefore incur a cost burden (discussed in Item 13 below).

With respect to the 16 respondents who incur an hourly burden, we estimate that approximately 4 are firms that may incur internal labor costs of approximately \$319, per hour, per

response.¹ Therefore, the internal labor cost of compliance for these respondents is approximately

¹ This estimate was calculated using a \$319 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

\$22,968 (assuming 4 submissions from firms x 18 hours per response x \$319 per hour). We estimate that the remaining 12 are natural persons who complete the forms themselves, and therefore we do not estimate an internal labor cost of compliance for these respondents.

| Summary of Hourly Burdens (Annual) | | | | | |
|---|-----------------------|---------------------------|---------------------------------------|----------------------------|------------------------------|
| Name of Information Collection | Type of Burden | Number of Entities | Number of Responses per Entity | Burden per Response | Total Industry Burden |
| Rule 19d-3 Applications | Reporting | 16 | 1 | 18 | 288 |
| TOTAL BURDEN | | | | | 288 |

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 16 respondents may hire outside counsel. We estimate the total cost for these 16 respondents to be \$135,936 per year (estimate of 16 respondents x 18 hours per response x \$472 per hour).²

| Summary of Cost Burdens (Annual) | | | | | | |
|---|-----------------------|------------------------------|----------------------------|----------------------|------------------|------------------------------|
| Name of Information | Type of Burden | Number of Respondents | Number of Responses | Cost per Each | Hours Per | Total Industry Burden |

(.continued)

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.

² 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.

| Collection | | | per Respondent | Hour of Response | Response | |
|-------------------------|-----------|----|----------------|------------------|----------|------------------|
| Rule 19d-3 Applications | Reporting | 16 | 1 | \$472 | 18 | \$135,936 |
| TOTAL BURDEN | | | | | | \$135,936 |

14. Costs to Federal Government

Not Applicable.

15. Changes in Burden

The hour and cost burdens decreased because the estimated number of respondents decreased from 40 to 32 overall, the estimated number of respondents drafting applications themselves decreased from 20 to 16, and the estimated number of respondents hiring outside counsel to draft applications decreased from 20 to 16. We are decreasing our estimated number of respondents overall from 40 to 32, 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 fiscal years 2019 and 2021, the average number of new administrative proceedings instituted in SRO matters was 31.33 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 |
| 360 | 288 | -72 | The estimated number of total respondents decreased from 40 to 32 and the estimated number of respondents filing applications themselves decreased from 20 to 16 |
| TOTAL CHANGE IN BURDEN | | | -72 |

| Summary of Change in Cost Burden (Annual) | | | |
|--|-----------------------------|-------------------------|---|
| Previously Approved Burden | New Estimated Burden | Change in Burden | Reason for the Change |
| \$169,920 | \$135,936 | -\$33,984 | The estimated number of total respondents decreased from 40 to 32 and the estimated number of respondents hiring outside counsel to file applications decreased from 20 to 16 |
| BURDEN | | | TOTAL CHANGE IN |
| | | | -\$33,984 |

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.