

**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. It is necessary that the persons or entities affected make the application, however, in order for the Commission to review final disciplinary actions taken against them by SROs. The Commission’s Rules of Practice provide guidance on making the applications to the Commission.

**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)**

Other than the record retention requirements described below, there are no special circumstances and this collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

Rule 19d-3 does not include a recordkeeping or retention requirement in the text of the rule. That requirement is in Rule 17a-1 (3235-0208), which provides that all documents that a national securities exchange or association makes respecting its self-regulatory activities be kept for a period of not less than five years, the first two in an easily accessible place. We believe the extended retention period is appropriate as it provides sufficient time for Commission inspections and investigations of SROs.

## **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 25 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 10 applicants would draft the applications themselves, and therefore incur an hour burden (a total hour burden of 180 hours per year for these 10 applicants), and that 15 would hire outside counsel, and therefore incur a cost burden (discussed in Item 13 below).

With respect to the 10 respondents who incur an hourly burden, we estimate that approximately 4 are firms that may incur internal labor costs of approximately \$344, per hour, per

response.<sup>1</sup> Therefore, the internal labor cost of compliance for these respondents is approximately \$24,768 (assuming 4 submissions from firms x 18 hours per response x \$344 per hour). We estimate that the remaining 6 are natural persons who complete the forms themselves, and therefore we do not estimate an internal labor cost of compliance for these respondents.

<b>Summary of Hourly Burdens (Annual)</b>					
<b>Name of Information Collection</b>	<b>Type of Burden</b>	<b>Number of Entities</b>	<b>Number of Responses per Entity</b>	<b>Burden per Response</b>	<b>Total Industry Burden</b>
Rule 19d-3 Applications	Reporting	10	1	18	180
<b>TOTAL BURDEN</b>					<b>180</b>

### **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 15 respondents may hire outside counsel. We estimate the total cost for these 15 respondents to be \$127,440 per year (estimate of 15 respondents x 18 hours per response x \$472 per hour).<sup>2</sup>

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<sup>1</sup> This estimate was calculated using a \$344 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 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.

<sup>2</sup> 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*, was previously 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 Cost Burdens (Annual)						
Name of Information Collection	Type of Burden	Number of Respondents	Number of Responses per Respondent	Cost per Each Hour of Response	Hours Per Response	Total Industry Burden
Rule 19d-3 Applications	Reporting	15	1	\$472	18	\$127,440
<b>TOTAL BURDEN</b>						<b>\$127,440</b>

#### 14. Costs to Federal Government

The government would not experience any new costs based on the extension of the recordkeeping and reporting required pursuant to Rule 19d-3. The information collected by the respondents would be reviewed using current Commission staff and resources.

#### 15. Changes in Burden

The hour and cost burdens decreased because the estimated number of respondents decreased from 32 to 25 overall, the estimated number of respondents drafting applications themselves decreased from 20 to 10, and the estimated number of respondents hiring outside counsel to draft applications decreased from 20 to 15. We are decreasing our estimated number of respondents overall from 32 to 25, 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 2022 and 2024, the average number of new administrative proceedings instituted in SRO matters was 19 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). As a conservative measure we are using 25 respondents in our estimate, in case the number increases during the OMB approval period.

<b>Summary of Change in Hourly Burden (Annual)</b>			
<b>Previously Approved Burden</b>	<b>New Estimated Burden</b>	<b>Change in Burden</b>	<b>Reason for the Change</b>
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
<b>TOTAL CHANGE IN BURDEN</b>			<b>-72</b>

<b>Summary of Change in Cost Burden (Annual)</b>			
<b>Previously Approved Burden</b>	<b>New Estimated Burden</b>	<b>Change in Burden</b>	<b>Reason for the Change</b>
\$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
<b>TOTAL CHANGE IN BURDEN</b>			<b>-\$33,984</b>

**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.