SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 15g-9
OMB Control #: 3235-0385

A. JUSTIFICATION

1. Necessity of Information Collection

The Commission adopted Rule 15g-9 (17 CFR 240.15g-9) pursuant to Section 15(c)(2) of the Securities Exchange Act of 1934 ("Exchange Act"), which authorizes the Commission to promulgate rules reasonably designed to prevent any fraudulent, deceptive, or manipulative device or contrivance in connection with the over-the-counter ("OTC") market.[1] Rule 15g-9 applies to transactions in penny stocks as defined in Exchange Act Section 3(a)(51) and Rule 3a51-1 promulgated thereunder, which generally refers to non-exchange traded OTC equity securities whose issuers do not meet certain listing standards.

In general, prior to effecting a person's transaction in a penny stock, Rule 15g-9 requires a broker-dealer to: (1) approve their account for transactions in penny stocks by, among other things: (a) obtaining from them information concerning their financial situation, investment experience, and investment objectives; (b) reasonably determining that transactions in penny stocks are suitable for them, and that he or she (or their independent adviser) has sufficient knowledge and experience in financial matters and is capable of evaluating the risks of transactions in penny stocks; and (c) delivering to them a written statement: (i) setting forth the basis on which the broker-dealer made the suitability determination; (ii) stating in a highlighted format that it is unlawful for the broker-dealer to effect a transaction in a penny stock unless the broker-dealer has received, prior to the transaction, a written agreement to the transaction from the person; and (iii) stating in a highlighted format immediately preceding the person's signature line that: (A) the broker-dealer is required to provide the person with the written statement; and (B) the person should not sign and return the written statement to the broker-dealer if it does not accurately reflect their financial situation, investment experience, and investment objectives; and (d)(i) obtaining from the person a signed and dated copy of the statement; and (ii) waiting at least two business days after sending the statement to effect the penny stock transaction.[2]

Rule 15g-9 is necessary to help prevent broker-dealers use of fraudulent, high pressure sales tactics to sell penny stocks to unsophisticated investors. The scope of Rule 15g-9 is limited in order to exclude transactions that are less likely to be subject to abusive, high-pressure sales practices. Similarly, exemptions from Rule 15g-9 are provided for, among other things: (1)

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1 See Exchange Act Release No. 51983 (Jul. 7, 2005), 70 FR 40614 (Jul. 13, 2005) (stating that Rule 15g-9 was originally adopted as Rule 15c2-6 to address sales practices abuses involving certain speculative low-priced securities being traded in the OTC market. See Exchange Act Release No. 27160 (Aug. 22, 1989), 54 FR 35468 (Aug. 28, 1989)).

2 The record retention requirements for broker-dealer records, including records required by Rule 15g-9, are in Rule 17a-4 (OMB Control No. 3235-0279). Such records must be preserved for a period of not less than three years, the first two in an easily accessible place.

transactions in which the purchaser is an institutional accredited investor;[3] (2) transactions in which the purchaser is an established customer of the broker-dealer;[4] (3) transactions that are not recommended by the broker-dealer;[5] and (4) transactions by a broker-dealer: (a) who has not been a market maker in the penny stock that is the subject of the transaction in the immediately preceding twelve months, and (b) whose sales-related revenue from transactions in penny stocks during certain specified time periods did not exceed five percent of its total sales-related revenue from transactions in securities.[6]

2. Purpose and Use of Information Collection

In adopting Rule 15g-9, the Commission sought to combat the unscrupulous, high-pressure sales tactics of certain broker-dealers by imposing objective and readily reviewable requirements that discipline the process by which investors are induced to purchase penny stocks. The requirements were intended to assist investors in protecting themselves from fraudulent sales practices, and to reinforce the standards of care a broker-dealer owes to its customers, including the suitability obligation under self-regulatory organization ("SRO") rules.[7]

An essential aspect of high-pressure "boiler-room" operations is the constant solicitation of new, and often unsophisticated, investors. Rule 15g-9 helps reins in this process by establishing procedures that must be followed before penny stocks are recommended to unsophisticated investors. The procedures are intended to increase the likelihood that a broker-dealer will make a suitability determination by requiring the broker-dealer to obtain and consider sufficient information about the investor, such as their financial situation, investment experience, and investment objectives.

In addition, Rule 15g-9 helps protect investors from fraudulent sales practices in penny stocks by, among other things, requiring that the person agree in writing to the penny stock transaction and requiring that the broker-dealer provide a copy of its suitability determination to the person prior to the person's commitment to purchase a penny stock. As a result, the former provides the investors with an opportunity to make an investment decision outside of a pressured telephone conversation with a salesperson, and the latter provides the person an opportunity to review the determination and decide whether the broker-dealer has made a good faith attempt to consider the person's financial situation, investment experience, and investment objectives.

3. Consideration Given to Information Technology

The majority of broker-dealers use technology to comply with Rule 15g-9.

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3 See Rule 15g-9(c)(1) and Rule 15g-1(b).

4 Rule 15g-9(c)(3).

5 See Rule 15g-9(c)(1) and Rule 15g-1(e).

6 See Rule 15g-9(c)(1) and Rule 15g-1(a).

7 See, e.g., FINRA Rule 2111 (Suitability).

4. Duplication

There is no duplication of information. A broker-dealer is not otherwise required to deliver to an investor the written statement setting forth, among other things, the basis for its reasonable determination that: (1) transactions in penny stocks are suitable for the investor, and (2) the investor (or their independent adviser) has sufficient knowledge and experience in financial matters and is capable of evaluating the risks of transactions in penny stocks, or obtain the investor's signed and dated copy of the statement.

5. Effect on Small Entities

The collection of information required under Rule 15g-9 is not unduly burdensome for small entities.

6. Consequences of Not Conducting Collection

The consequences of not requiring the collection of information specified in Rule 15g-9 would be a substantial weakening of the rule's effectiveness at combating fraudulent, deceptive, or manipulative device or contrivance in connection transaction in penny stocks.

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

No payments or gifts are provided to any respondents.

10. Confidentiality

Not applicable.

11. Sensitive Questions

The Information Collection does not collect information about individuals, therefore, a PIA, SORN, and PAS are not required.

12. Information Collection Burden

As of May 1, 2026, there are 3,248 registered broker-dealers. Of the 3,248 broker-dealers, approximately five percent, or 162 broker-dealers, are engaged in penny stock transactions and thereby subject to Rule 15g-9 (5% x 3,248 broker-dealers = 162 broker-dealers). As indicated above, the burden of the rule on a respondent varies widely depending on the frequency with which new persons are solicited. The Commission estimates that each of these broker-dealers effects 3 persons' first penny stock transaction per week. Thus, each respondent delivers approximately 156 penny stock written statements per year (52 weeks per year x 3 transactions per week) for a total aggregate of approximately 25,272 responses per year (162 respondents x 156 penny stock written statements per year).

The Commission estimates that a broker-dealer would take approximately one-half hour per new penny stock investor to obtain, review, and process (including delivering to the person) the information required by Rule 15g-9, or approximately 78 hours per year (156 new persons x .5 hours), **for a total aggregate burden of approximately 12,636 hours per year (162 respondents x 78 hours per year) for this third-party disclosure obligation.**

Rule	**Burden Type**	**Respondents**	**Annual Responses per Respondent**	**Time per Response (Hours)**	**Total burden (Hours)**
Rule 15g-9 (Written Statement)	Third-party disclosure	162	156	1/2	12,636
Total Aggregate Burden					12,636

13. Costs to Respondents

There are no capital, start-up, or other external costs on respondents associated with the rule.

14. Costs to Federal Government

Not applicable. There is no requirement to report the information collections to the SEC.

15. Changes in Burden

The total annual burden hours decreased from 13,650 to 12,636 due to a decrease in the number of registered broker-dealers we estimate will be engaged in penny stock transactions from 175 to 162.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection 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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.