



SECURITIES AND EXCHANGE COMMISSION

[SEC File No. 270-495, OMB Control No. 3235-0553]

Proposed Collection; Comment Request; Extension: Rule 19b-7 and Form 19b-7

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Securities and Exchange Commission

Office of FOIA Services

100 F Street NE

Washington, DC 20549-2736

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 ("PRA") (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission ("Commission") is soliciting comments on the existing collection of information provided for in Rule 19b-7 (17 CFR 240.19b-7) and Form 19b-7, under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) ("Exchange Act"). The Commission plans to submit this existing collection of information to the Office of Management and Budget ("OMB") for extension and approval.

The Exchange Act provides a framework for self-regulation under which various entities involved in the securities business, including national securities exchanges and national securities associations (collectively, self-regulatory organizations or "SROs"), have primary responsibility for regulating their members or participants. The role of the Commission in this framework is primarily one of oversight; the Exchange Act charges the Commission with supervising the SROs and assuring that each complies with and advances the policies of the Exchange Act.

The Exchange Act was amended by the Commodity Futures Modernization Act of 2000 ("CFMA"). Prior to the CFMA, federal law did not allow the trading of futures on individual stocks or on narrow-based stock indexes (collectively, "security futures products"). The CFMA removed this restriction and provided that trading in security futures products would be regulated jointly by the Commission and the Commodity Futures Trading Commission ("CFTC").

The Exchange Act requires all SROs to submit to the SEC any proposals to amend, add, or delete any of their rules. Certain entities (Security Futures Product Exchanges) would be notice-registered national securities exchanges only because they trade security futures products. Similarly, certain entities (Limited Purpose National Securities Associations) would be limited-purpose national securities associations only because their members trade security futures products. The Exchange Act, as amended by the CFMA, established a procedure for Security Futures Product Exchanges and Limited Purpose National Securities Associations to provide notice of proposed rule changes relating to certain matters.¹ Rule 19b-7 and Form 19b-7 implemented this procedure. Effective April 28, 2008, the SEC amended Rule 19b-7 and Form 19b-7 to require that Form 19b-7 be submitted electronically.²

The collection of information is designed to provide the Commission with the information necessary to determine, as required by the Exchange Act, whether the proposed rule change is consistent with the Exchange Act and the rules thereunder. The information is used to determine if the proposed rule change should remain in effect or be abrogated.

The respondents to the collection of information are SROs.³ Two respondents file an average total of approximately 2 responses per year. Each response takes approximately 12.5 hours to complete and each amendment takes approximately 3 hours to complete, which corresponds to an estimated annual response burden of 25 hours ((2 rule change proposals x 12.5 hours) plus (0

¹ These matters are higher margin levels, fraud or manipulation, recordkeeping, reporting, listing standards, or decimal pricing for security futures products; sales practices for security futures products for persons who effect transactions in security futures products; or rules effectuating the obligation of Security Futures Product Exchanges and Limited Purpose National Securities Associations to enforce the securities laws. See 15 U.S.C. 78s(b)(7)(A).

² See Securities Exchange Act Release No. 57526 (March 19, 2008), 73 FR 16179 (March 27, 2008).

³ There are currently two Security Futures Product Exchanges and one Limited Purpose National Securities Association, the National Futures Association. One of the Security Futures Product Exchanges, however, is conditionally exempted from filing proposed rule changes using Form 19b-7. Therefore, there are currently two respondents to Form 19b-7.

amendments⁴ x 3 hours)). The total industry burden for filings is 50 hours.⁵ The average internal cost of compliance per response to file a Form 19b-7 is \$5,555.⁶ The total internal cost of compliance for a respondent is \$11,110 per year and the total industry internal cost of compliance is \$22,220 per year.⁷

In addition to filing its proposed rule changes and any amendments thereto with the Commission, a respondent is also required to post each of its proposals and any amendments thereto, on its website. This process takes approximately 0.5 hours to complete per proposal and 0.5 hours per amendment. Thus, for approximately 2 responses and no amendments,⁸ the total annual reporting burden on a respondent to post these on its website is 1 hour and the total industry burden per year is 2 hours.⁹ Further, a respondent is required to update its rulebook, which it maintains on its website, to reflect the changes that it makes in each proposal and any amendment thereto. Thus, for all filings that were not withdrawn by a respondent (there were 0 withdrawn filings in calendar years 2019-2021) or disapproved by the Commission (there were 0 disapproved filings in calendar years 2019-2021), a respondent was required to update its online rulebook to reflect the effectiveness of 2 filings on average, each of which takes approximately 4 hours to complete. Thus,

⁴ SEC staff notes that even though no amendments were received in the previous three years and that staff does not anticipate the receipt of any amendments, calculation of amendments is a separate step in the calculation of the PRA burden and it is possible that amendments are filed in the future. Therefore, instead of removing the calculation altogether, staff has shown the calculation as anticipating zero amendments.

⁵ This estimate is based on 2 respondents x 25 hours per year per respondent which equals 50 burden hours for the entire industry.

⁶ This estimate is based on 11.5 legal hours multiplied by an average hourly rate of \$462 plus 1 hour of paralegal work multiplied by an average hourly rate of \$242. The wage data is for an attorney and paralegal respectively, from SIFMA's *Management & Professional Earnings in the Securities Industry 2013*, modified by Commission staff to account for inflation and an 1800-hour work-year and then multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

⁷ This estimate is based on 2 responses x \$5,555 per response equals \$11,110 per respondent per year and 2 respondents x \$11,110 equals \$22,220 or the total industry cost per year.

⁸ See *supra* note 4.

⁹ This estimate is based on 2 proposals per year x 0.5 hours per filing plus 0 amendments x 0.5 hours.

the total annual reporting burden for updating an online rulebook is 8 hours and the total industry burden is 16 hours.¹⁰

The total industry burden per year for rule changes, updating and posting rule changes and updating the online rulebook is estimated to be 68 burden hours.¹¹ As described above, the total internal cost of compliance for a respondent is estimated to be \$11,110 per year and the total industry internal cost of compliance is estimated to be \$22,220 per year.¹² The net change in estimated total aggregate burden hours decreased from 102 to 68 (reduction of 34 burden hours). Similarly, with respect to the internal dollar cost burden of respondents, the total industry internal dollar costs has decreased overall due to one less respondent. The total industry internal cost of compliance decreased from \$30,300 to \$22,220.

Compliance with Rule 19b-7 is mandatory. Information received in response to Rule 19b-7 is not kept confidential; the information collected is public information.

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimates of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

¹⁰ This estimate is based on 2 proposals per year x 4 hours which equals 8 hours. As noted, there were 0 withdrawn filings and 0 disapproved filings. There are 2 respondents x 8 hours per year equals a total industry burden of 16 hours.

¹¹ This estimate is the sum of the total industry (2 respondents) burden hours for rule filings (50 hours), updating and posting rule changes (2 hours) and updating rules (16 hours).

¹² This estimate is based on 2 responses x \$5,555 per response equals \$11,110 per respondent per year and 2 respondents x \$11,110 equals \$22,220 or the total industry cost per year.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Please direct your written comments to: David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o John Pezzullo, 100 F Street NE, Washington, DC 20549, or send an email to: PRA_Mailbox@sec.gov.

Dated: August 3, 2023.

Sherry R. Haywood,

Assistant Secretary.

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