

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 10b-17**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

The Securities and Exchange Commission (“Commission”) adopted Rule 10b-17 in 1971 to protect the public from the failure of publicly traded companies to provide timely announcements of the record dates with respect to certain distributions related to their securities. The Commission has found that such failures resulted in purchasers and brokers-dealers entering into (and settling) securities transactions without knowledge of the accrual of rights to these distributions, leaving them unable to take necessary steps to protect their interests. The Commission has also found that sellers, as recordholders on the specified record date, disposed of cash or stock dividends or other rights received as such recordholders without knowledge of possible claims of purchasers of the underlying security to those dividends or rights. The Commission also found that issuers would often make belated announcements of such distributions apparently aware that such announcements would have a manipulative effect on the market for their securities because in these circumstances purchasers would effect “buy-in” transactions to liquidate the seller’s obligations, thus artificially inflating the price of the security.

Rule 10b-17 requires any issuer of a class of securities publicly traded by the use of any means or instrumentality of interstate commerce or of the mails or of any facility of any national securities exchange to give notice of the following specific distributions relating to such class of securities: (1) a dividend or other distribution in cash or in kind other than interest payments on debt securities; (2) a stock split or reverse stock split; or (3) a rights or other subscription offering. Notice shall be either given to the Financial Industry Regulatory Authority, Inc. as successor to the National Association of Securities Dealers, Inc. or in accordance with the procedures of the national securities exchange upon which the securities are registered. The Commission may exempt an issuer of over-the-counter (but not listed) securities from the notice requirement. The requirements of 10b-17 do not apply to redeemable securities of registered open-end investment companies or unit investment trusts.

**2. Purpose and Use of Information Collection**

The information required by Rule 10b-17 is necessary for the execution of the Commission’s mandate under the Securities Exchange Act of 1934 to prevent fraudulent, manipulative, and deceptive acts and practices. The Commission has found that not requiring formal notices of the types of distributions covered by Rule 10b-17 has led to a number of abuses detailed above. It is only through formal notice of the distribution, including the date of the distribution, that current holders, potential buyers, or potential sellers of the securities at issue will know their rights to the distribution. Therefore, it is only through formal notice that investors can make an informed decision as to whether to buy or sell a security.

### **3. Consideration Given to Information Technology**

Improvements in telecommunication and data processing technology reduce regulatory burdens that might otherwise result from Rule 10b-17. The Commission is not aware of any technical or legal obstacles to reducing the burden through the use of improved information technology.

### **4. Duplication**

The information required by each of the rules described herein does not duplicate that required by any other federal regulation.

### **5. Effect on Small Entities**

The information requirements of Rule 10b-17 apply equally to all issuers of publicly traded securities when engaging in the sorts of distributions covered by the rule. The Commission believes that the requirements of Rules 10b-17 are not unduly burdensome on small entities.

### **6. Consequences of Not Conducting Collection**

Without Rule 10b-17, securities purchasers, and brokers-dealers entering into (and settling) securities transactions, would do so without knowledge of the accrual of certain rights, which knowledge is necessary in order to protect their interests. Further, the information required by Rule 10b-17 is necessary for the execution of the Commission's mandate under the Securities Exchange Act of 1934 to prevent fraudulent, manipulative, and deceptive acts and practices.

### **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 C.F.R.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**

Not applicable. Rule 10b-17 does not involve any payments or gifts to respondents.

### **10. Confidentiality**

No assurance of confidentiality is provided.

## **11. Sensitive Questions**

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

## **12. Burden of Information Collection**

The Commission estimates that approximately 5,627 issuers made approximately 21,286 dividend announcements covered by Rule 10b-17 in 2013. The Commission estimates that approximately 997 issuers made 1,024 split and/or reverse split announcements covered by Rule 10b-17 in 2013. The Commission estimates that approximately 44 issuers made 44 rights and other offerings covered by Rule 10b-17 in 2013. In total, the Commission estimates that there were 6,668 (5,627 plus 997 plus 44) respondents with 22,354 (21,286 plus 1,024 plus 44) responses in 2013. The Commission estimates that each response, which constitutes a third-party disclosure burden, takes 10 minutes to complete, thus imposing approximately 3,726 burden hours annually (22,354 times 10 minutes) on respondents. We believe that the average hourly cost to produce and file a response under the rule is about \$68.18. Therefore, the annual internal labor compliance cost for complying with this rule, i.e. producing and filing reports, is estimated to be \$254,038.68 (3,726 times \$68.18).

## **13. Costs to Respondents**

It is not anticipated that respondents will have to incur any capital and start up cost to comply with the rule nor is it anticipated that the respondents will have to incur any additional operational or maintenance cost (other than provided for in item no. 12) to comply with the rule.

## **14. Costs to Federal Government**

The government does not experience any direct costs based on the third party reporting required pursuant to Rule 10b-17.

## **15. Changes in Burden**

The change in the estimated reporting burden is based on a current estimate of the number of distributions covered by Rule 10b-17. The burden increased due to an increase in the number of distributions. There are no other changes in the burden.

## **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 the Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

**B. Collecting Information Employing Statistical Methods**

This collection does not involve statistical methods.