

demonstrate compliance with the delivery requirements of paragraphs (a) and (b) of proposed rule 15c2-3. The brokers, dealers or municipal securities dealers would have to preserve those records for the period specified in Exchange Act rule 17a-4(b) (17 CFR 240.17a-4(b)), or, in the case of records of oral communications or the disclosures, for the period specified in Exchange Act rule 17a-4(b) with regard to similar written communications and records. While this requirement often can be satisfied by maintaining a copy of the disclosure document that was provided to the customer, in the case of disclosure solely by means of oral communications, this provision would require the broker, dealer or municipal securities dealer to have compliance procedures in place that are adequate to demonstrate that it provided the required disclosure. Based on discussions with industry participants, the Commission staff estimates that the annual burden to brokers, dealers and municipal securities dealers to develop and implement such compliance procedures would be approximately 2 million hours.<sup>1</sup>

Based on discussions with industry representatives, the Commission staff estimates that there are 1 billion confirmations delivered annually to customers in connection with securities transactions involving mutual fund shares, UIT interests and college savings plan interests. Proposed rule 15c2-3 would require brokers, dealers and municipal securities dealers to provide disclosure to customers about costs and conflicts at the point of sale for each of these transactions. The information that would be required to be delivered pursuant to proposed rule 15c2-3 would be derived from information that brokers, dealers and municipal securities dealers would otherwise prepare in order to fulfill their confirmation disclosure requirements under proposed rule 15c2-2.

The Commission staff further estimates from information provided by industry participants that it will take, on average, about one minute to deliver to

customers the point of sale disclosure required under proposed rule 15c2-3. The Commission staff also estimates from information provided by industry participants that the annual burden to brokers, dealers and municipal securities dealers to deliver at the point of sale the disclosure that would be required under proposed rule 15c2-3, and to maintaining systems that would permit such disclosure, would be 16.7 million hours.<sup>2</sup> As a result, the Commission staff estimates that the total annual burden to brokers, dealers and municipal securities dealers to comply with the requirements of proposed rule 15c2-3, would be 18.7 million hours.<sup>3</sup>

Based on discussions with industry participants, the Commission staff estimates that the annual cost to brokers, dealers and municipal securities dealers for call center services and other service providers which would assist with development and implementation of procedures sufficient to demonstrate compliance with the delivery requirements of paragraphs (a) and (b) of proposed rule 15c2-3 would be approximately \$40 million.<sup>4</sup>

In summary, the Commission staff estimates that the annual burden for complying with the requirements of proposed rule 15c2-3 would be 18.7 million hours and that the annual costs of complying with the requirements of proposed rule 15c2-3, including call center services, and recordkeeping and compliance costs, would be \$40 million.

Direct your written comments to R. Corey Booth, Director/Chief Information Officer, Securities and Exchange Commission, C/O Shirley Martinson, 6432 General Green Way, Alexandria, VA 22312 or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 60 days of this notice.

Dated: March 21, 2007.

**Florence E. Harmon,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

### Proposed Collection; Comment Request

*Upon written request, copies available from:* Securities and Exchange Commission, Office of Filings and Information Services, Washington, DC 20549.

*Extension:* Rule 15c2-2; SEC File No. 270-538; OMB Control No. 3235-0598.

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("Commission") is soliciting comments on the collection of information summarized below. The Commission plans to submit this existing collection of information to the Office of Management and Budget for extension and approval.

Proposed rule 15c2-2 (17 CFR 240.15c2-2) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) would provide investors in mutual fund shares, UIT interests and college savings plan interests with information in transaction confirmations, including information about certain distribution-related costs and certain distribution arrangements that create conflicts of interest for brokers, dealers, municipal securities dealers, and their associated persons. Proposed rule 15c2-2 specifically would require confirmation disclosure of information about loads and other distribution-related costs that directly impact the returns earned by investors in those securities. It also would require brokers, dealers and municipal securities dealers to disclose their compensation for selling those securities, and to disclose information about revenue sharing arrangements and portfolio brokerage arrangements that create conflicts of interest for them. Moreover, the proposed rule would require brokers, dealers and municipal securities dealers to inform customers about whether their salespersons or other associated persons receive extra compensation for selling certain covered securities.

In addition, the Commission, the self-regulatory organizations, and other securities regulatory authorities would be able to use records of confirmations delivered pursuant to proposed rule 15c2-2 in the course of examinations, and investigations, as well as enforcement proceedings against brokers, dealers and municipal securities dealers. However, no governmental agency would regularly receive any of the information described above.

<sup>1</sup> The staff estimates that the burden to the 10 vendors to maintain their systems would be 500,000 hours annually, or 50,000 hours per vendor. The staff estimates that the burden allocated to each client on a pro rata basis would be 100 hours annually per broker, dealer or municipal security dealer that uses vendors' services (500,000 hours/5,000 = 100 hours). The staff estimates, based on discussions with industry representatives, that the 400 brokers, dealers and municipal securities dealers that use proprietary confirmation delivery systems, on average, would have a burden of 3,750 hours annually for maintaining systems. Thus, the annual burden for maintaining systems is estimated to be 2 million hours ((5,000 × 100) + (400 × 3,750) = 2,000,000).

<sup>2</sup> (1 billion transactions at one minute per point of sale disclosure = 1 billion minutes; 1 billion minutes/60 minutes per hour = 16.7 million hours.)

<sup>3</sup> (16.7 million hours per point of sale disclosure + 2 million hours to develop and implement compliance procedures = 18.7 million hours.)

<sup>4</sup> Based on discussions with industry representatives, the staff estimates that the annual cost would be \$7,400 per broker, dealer or municipal securities dealer. (5,400 brokers, dealers and municipal securities dealers × \$7,400 = \$39,996,000.)

The Commission anticipates on-going burdens for complying with the requirements of proposed rule 15c2-2, including calculating revenue sharing and portfolio brokerage amounts required under rule 15c2-2. Based upon discussions with industry representatives, the Commission staff understands that, once completed, this reprogramming and systems updating would permit brokers, dealers, and municipal securities dealers to have automated access to the information that would be required to be disclosed in confirmations delivered pursuant to proposed rule 15c2-2. As a result, the burden associated with obtaining data to be included in confirmations would be *de minimis*. The Commission staff estimates from information provided by industry participants that the annual burden to brokers, dealers and municipal securities dealers, and their vendors, to comply with the requirements under proposed rule 15c2-2 to calculate revenue sharing and portfolio brokerage amounts and to maintain and further update the confirmation delivery systems, would be 2 million hours.<sup>1</sup>

Brokers, dealers and municipal securities dealers also would have a burden for generating and sending confirmations to investors. The Commission staff estimates from information provided by industry participants that it takes about one minute to generate and send a confirmation. Based on the estimate that there are 1 billion transactions annually in the covered securities, the Commission staff estimates that the annual burden to brokers, dealers and municipal securities dealers to generate and send confirmations to customers pursuant to proposed rule 15c2-2 would be 16.7 million hours.<sup>2</sup> It is important to note, however, that confirmations for transactions in covered securities are currently required to be delivered pursuant to rule 10b-10 (17 CFR 240.10b-10) or MSRB rule G-

<sup>1</sup> The staff estimates that the burden to the 10 vendors to maintain their systems would be 500,000 hours annually, or 50,000 hours per vendor. The staff estimates that the burden allocated to each client on a pro rata basis would be 100 hours annually per broker, dealer or municipal security dealer that uses vendors' services (500,000 hours/5,000 = 100 hours). The staff estimates, based on discussions with industry representatives, that the 400 brokers dealers and municipal securities dealers that use proprietary confirmation delivery systems, on average, would have a burden of 3,750 hours annually for maintaining systems. Thus, the annual burden for maintaining systems is estimated to be 2 million hours ((5,000 × 100) + (400 × 3,750) = 2,000,000 hours).

<sup>2</sup> (1 billion confirmations at one minute per confirmation = 1 billion minutes; 1 billion minutes/60 minutes per hour = 16.7 million hours.)

15, as applicable. As a result, the burden for generating and sending confirmations would not be entirely new, but would reflect a shift of burdens from rule 10b-10 to proposed rule 15c2-2. In addition, brokers, dealers and municipal securities dealers routinely send customers account statements pursuant to self-regulatory organizations' requirements and for reasons of prudent business practice. Nonetheless, the Commission staff estimates that the total annual burden for complying with the requirements of proposed rule 15c2-2 would be 18.7 million hours.<sup>3</sup> The number of confirmations sent and the cost of the confirmations vary from firm to firm. Smaller firms typically send fewer confirmations than larger firms because they effect fewer transactions.

As stated earlier, the Commission staff estimates that there are 1 billion securities transactions annually involving mutual fund shares, UIT interests and college savings plan interests. According to information provided by industry participants, the Commission staff estimates that the average cost, including postage and printing, for a two-page confirmation is about \$1.05. As a result, the Commission staff estimates that the annual costs of complying with the requirements of proposed rule 15c2-2, including the printing and postal costs for generating and sending confirmations, would be \$1.05 billion,<sup>4</sup> reflecting an increase of \$160 million over the cost of the confirmations had they been delivered pursuant to rule 10b-10.<sup>5</sup>

In summary, proposed rule 15c2-2 potentially would apply to all of the approximately 5,338 brokers, dealers and municipal securities dealers that are registered with the Commission and that

<sup>3</sup> (16.7 million hours to generate and send confirmations to customers + 2 million hours to calculate revenue sharing and portfolio brokerage amounts and to maintain and further update the confirmation delivery systems = 18.7 million hours.)

<sup>4</sup> (1 billion confirmations at \$1.05 per confirmation = \$1.05 billion.) As noted above, confirmations for transactions in covered securities are currently required to be delivered pursuant to rule 10b-10 or MSRB rule G-15, as applicable. As a result, this estimated cost is not entirely a new cost, but reflects a shift of costs from rule 10b-10 to proposed rule 15c2-2. This estimated cost also reflects an incremental increase in the cost of generating confirmations from 89 cents under rule 10b-10 to \$1.05 under proposed rule 15c2-2. This incremental cost is associated with generating the two-page confirmation that would be required under proposed rule 15c2-2, as compared to a half-page or one-page confirmation that is currently permitted under rule 10b-10.

<sup>5</sup> (1 billion confirmations delivered pursuant to rule 10b-10 at \$0.89 per confirmation = \$890 million; \$1.05 billion - \$890 million = \$160 million.)

are members of NASD. It would also potentially apply to approximately 62 additional municipal securities dealers. The staff estimates that the annual burden for complying with the requirements of proposed rule 15c2-2 would be 18.7 million hours and that the annual costs of complying with the requirements of proposed rule 15c2-2, including the printing and postal costs for generating and sending confirmations, would be \$1.05 billion. We note that, as stated above, many of these costs and burdens, including the majority of the annual costs and burdens, would be shifted from rule 10b-10 to proposed rule 15c2-2.

Written comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be 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 in writing within 60 days of this publication.

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 control number.

Direct your written comments to R. Corey Booth, Director/Chief Information Officer, Securities and Exchange Commission, c/o Shirley Martinson, 6432 General Green Way, Alexandria, VA 22312 or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 60 days of this notice.

Dated: March 21, 2007.

**Florence E. Harmon,**

*Deputy Secretary.*

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