

control number. The titles of the affected collections are "Regulation S-K," "Regulation S-B," "Form 10-Q," "Form 10-QSB," "Form 10-K," "Form 10-KSB," "Form 20-F," and "Form N-CSR" under OMB control numbers 3235-0071, 3235-0417, 3235-0070, 3235-0416, 3235-0063, 3235-0420, 3235-0288, and 3235-0570 respectively.

We believe that the amendments to Regulations S-K, S-B, Forms 10-Q, 10-QSB, 10-K, 10-KSB, 20-F, and N-CSR are necessary to: (1) Facilitate the transparency of issuers' repurchases, (2) bolster investor confidence in the integrity of the securities trading markets, and (3) monitor and assess the level and market impact of issuers' repurchases. We estimate that 75% of the total burden of Forms 10-K, 10-KSB, 10-Q and 10-QSB is carried by the issuer, and therefore is reflected as an hourly burden. The remaining 25% of the total burden is attributed to outside costs.¹²⁰ Based on the actual filings that we received in fiscal year 2002, we estimate that Form 10-K is filed by 8,484 respondents, has a total annual burden of 13,970,929 hours and a cost of \$1,396,396,000; Form 10-KSB is filed by 3,820 respondents, has a total annual burden of 4,716,969 hours and a cost of \$470,993,000; Form 10-Q is filed by 23,743 respondents, has a total annual burden of 3,414,474 hours and a cost of \$336,698,630; Form 10-QSB is filed by 11,299 respondents, has a total annual burden of 1,540,119 hours and a cost of \$151,752,130; and Form 20-F is filed by 1,194 respondents, has a total annual burden of 769,826 hours and a cost of \$690,501,580.

Closed-end funds would be required to provide similar disclosure on new Item 8 of Form N-CSR.¹²¹ With respect to new Item 8 of Form N-CSR, we estimate that 75% of the burden of preparation will be borne by the

company internally, and 25% of the burden of preparation will be borne by outside professionals. Based on the actual filings that we received in fiscal year 2002, we estimate that Form N-CSR is filed by 7,400 respondents, has a total annual burden of 142,498 hours and a cost of \$881,000.

VIII. Cost-Benefit Analysis

We are sensitive to the costs and benefits of our rules and we have considered the costs and benefits of our adopted amendments. To assist us in evaluating the costs and benefits, in the Proposing Release we encouraged commenters to discuss any costs or benefits that the modifications might impose. In particular, we requested comment on the potential costs for any modifications to information gathering, management, and record keeping systems or procedures as well as any potential benefits resulting from the proposals for issuers, investors, brokers, dealers, and other securities industry professionals, regulators, and others. Commenters were requested to provide analysis and data supporting their views on the costs and benefits associated with the proposed amendments.

A. Costs and Benefits of the Adopted Amendments to Rule 10b-18

We believe the adopted amendments simplify and update Rule 10b-18 in light of market developments since its adoption. First, the adopted amendments merge the definition of a "Rule 10b-18 bid" into the definition of a "Rule 10b-18 purchase." Second, the adopted amendments clarify that the safe harbor is available for repurchases of common equity securities. Next, the adopted amendments clarify the scope of the merger exclusion. Fourth, the adopted amendments clarify the application of the single broker or dealer condition to repurchases effected through ECNs or other ATSs. Fifth, the adopted amendments modify the timing condition to allow issuers of highly liquid securities to rely on the safe harbor for a longer time period each day. Sixth, the adopted amendments simplify the pricing condition by applying a uniform price limit for all issuers. Additionally, the adopted amendments clarify the safe harbor's availability for certain riskless principal transactions. Further, the adopted amendments to the volume condition are revised (i) to eliminate the current block exception, (ii) to include block purchases in the 25% ADTV limit, (iii) to provide a volume limit of one block purchase per week in lieu of the 25% ADTV limitation, and (iv) to increase the volume condition following a

market-wide trading suspension to 100% of ADTV. Lastly, the adopted amendments extend the safe harbor to certain repurchases made during after-hours trading and allow the use of a different broker or dealer for those repurchases.

1. Benefits

In order to assess the benefits of the proposed amendments to Rule 10b-18, we sought comment regarding potential benefits as well as data and facts supporting commenters' views. We requested data and analysis on any effect the proposed amendments might have on liquidity.

We believe the amendments we are adopting today (i) simplify and update Rule 10b-18 in light of market developments since its adoption; (ii) provide continued clarity as to the scope of the safe harbor for issuers and the brokers, or dealers that assist them with repurchasing; (iii) avoid what might otherwise be a substantial and unpredictable risk of liability under the anti-manipulation provisions of the Exchange Act; and (iv) allow the market to establish a security's price based on independent market forces without undue issuer influence by minimizing the impact of an issuer's safe harbor repurchases.

The Commission expects that the Rule 10b-18 adopted amendments should benefit issuers, brokers, dealers, investors, and the marketplace in a number of ways. First, the adopted amendment to the definition of a "Rule 10b-18 purchase" to include a "Rule 10b-18 bid" simplifies the definition making Rule 10b-18 easier for issuers and broker-dealers to use. Similarly, the clarification that the safe harbor is available for repurchases of common equity securities alleviates any ambiguity as to the scope of the Rule, thereby benefiting issuers and the brokers, or dealers they employ to effect Rule 10b-18 repurchases. The adopted amendments should further benefit issuers and broker-dealers by providing certainty regarding the use of ECNs and ATSs to effect safe harbor repurchases.

Additionally, we expect the modified timing condition that allows issuers of highly liquid securities to effect safe harbor repurchases for a longer period of time each day should benefit brokers and dealers by allowing them to implement a repurchasing strategy over a longer period of time. We believe this amendment should benefit investors and the marketplace by maintaining a reasonable limit on the repurchases so that market prices are not unduly affected by an issuer's repurchases. Moreover, we anticipate that this

¹²⁰ With respect to Form 20-F, however, 25% of the burden is reflected as an internal burden, 75% is reflected as an outside burden.

¹²¹ Currently, closed-end funds are required to disclose information regarding privately negotiated repurchases of their securities on Form N-23C-1 not later than the 10th day of the month following the month in which the repurchase occurs. The information required on Form N-23C-1 is duplicative of the information required in new Item 8 of Form N-CSR. Therefore, we are eliminating Form N-23C-1 and amending Rule 23C-1 under the Investment Company Act to remove the requirement to file Form N-23C-1 regarding privately negotiated repurchases. The PRA burden for Form N-23C-1 of 180 hours will be eliminated as a result of the elimination of this Form. The PRA burden for compliance with Rule 23C-1 will continue to be associated with other disclosure requirements of that rule, including the written confirmation, asset coverage disclosure, and six month notice requirements for paragraphs (a)(5), (a)(7), and (a)(10) of the rule, and will remain unchanged.