

PAPERWORK REDUCTION ACT SUBMISSION

Rule 17a-7

SUPPORTING STATEMENT

A. Justification

1. Necessity of the Collection of Information

All broker-dealers maintain certain books and records reflecting, among other things, income and expenses, assets and liabilities, daily trading activity and the status of customer and firm accounts in the ordinary course of their businesses.

Section 17(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”) authorizes the Commission to issue rules requiring broker-dealers to make and keep for prescribed periods, and furnish copies thereof, such records as necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act. Pursuant to this authority, the Securities and Exchange Commission (“Commission”) adopted Rules 17a-3 and 17a-4. Rule 17a-3 requires broker-dealers to make certain records, including trade blotters, asset and liability ledgers, income ledgers, customer account ledgers, securities records, order tickets, trade confirmations, trial balances, and various employment related documents. Rule 17a-4 specifies the manner in which the records created in accordance with Rule 17a-3, and certain other records produced by broker-dealers, must be maintained. It also specifies the required retention periods for these records. In combination, Rules 17a-3 and 17a-4 require broker-dealers to create, and preserve in an easily accessible manner, a comprehensive record of each securities transaction they effect and of their securities business in general.

Rule 17a-7 requires a non-resident broker-dealer (defined generally in section (d)(3) of the rule as a broker or dealer residing or with its principal place of business in any place not subject to the jurisdiction of the United States) registered or applying for registration pursuant to Section 15 of the Exchange Act to maintain in the United States, at a place designated by the broker-dealer in a written notice filed with the Commission, complete and current copies of books and records required to be maintained or preserved pursuant to “provision of any rule or regulation of the Commission” adopted under the Exchange Act, including Rules 17a-3 and 17a-4. Under Rule 17a-7, however, a broker-dealer is not required to maintain those books and records in the United States if the broker-dealer files with the Commission a written undertaking to furnish to the Commission, upon request, copies of any of the books and records the broker-dealer is required to maintain or preserve.

2. Purpose of, and Consequences of Not Requiring, the Information Collection

The information contained in the records required to be maintained by broker-dealers subject to Rule 17a-7 will be used by Commission examiners, representatives of the Commission, and self-regulatory organizations (“SROs”) to ensure that these broker-dealers are in compliance with the financial responsibility, antifraud, anti-manipulative, and other rules and regulations of the Commission and the self regulatory organizations (“SROs”). The ultimate purpose of Rule 17a-7 is the protection of investors. If the maintenance of information outlined above were not required, the Commission’s ability to oversee compliance with Exchange Act and SRO rules would be impaired.

3. Role of Improved Information Technology and Obstacles to Reducing Burden

Rule 17a-4(f) permits broker-dealers to employ electronic storage media to maintain records required to be preserved under Rule 17a-4. The records broker-dealers must preserve under Rule 17a-7, therefore, may be preserved using electronic storage media.

4. Efforts to Identify Duplication

Not applicable.

5. Effect on Small Entities

The number and complexity of records required to be preserved pursuant to Rule 17a-7 will vary proportionately with the volume and complexity of each broker-dealer’s business. Accordingly, small businesses should not encounter any significant or disproportionate impact.

6. Consequences of Less Frequent Collection

Not applicable. Rule 17a-7 is a record preservation rule.

7. Inconsistencies with Guidelines in 5 CFR § 1320.5(d)(2)

Not applicable. This collection is consistent with the guidelines in 5 CFR § 1320.5(d)(2).

8. Consultations Outside the Agency

Not applicable.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

The records required by Rule 17a-7 are typically available only to the examination staffs of the Commission, state securities authorities, and SROs. Subject to the provisions of the Freedom of Information Act 5 U.S.C. 552 and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.

11. Sensitive Questions

Not applicable.

12. Estimate of Respondent Reporting Burden

Several variables relating to the preservation requirements of Rule 17a-7 make an estimate of the reporting burden very difficult. Nonetheless, based on our own experience in this area, we estimate that the average amount of time necessary to prepare the documents required by Rule 17a-7 is one hour per year. Therefore, since there are approximately 54 non-resident broker-dealers, the total burden of compliance is 54 hours. The approximate cost per hour is \$245.¹ Therefore, the total cost of compliance by respondents is \$13,230 per year.

13. Estimates of Total Annualized Cost Burden

Other than the costs discussed in item 12 above, Rule 17a-7 does not impose any additional costs.

14. Estimate of Cost to Federal Government

The government would not experience significant costs based on the recordkeeping required pursuant to Rule 17a-7. The information collected by the respondents would be reviewed only as part of an investigation or examination of a respondent. The Commission would not routinely review the records kept by the respondents.

¹ \$245 per hour figure for a Compliance Manager is from the *SIA Report on Management & Professional Earnings in the Securities Industry 2006*, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

15. Explanation of Changes in Burden

The annual reporting and recordkeeping hour burden listed on Item 13 of the Rule 17a-7 OMB Form 83-I is 11 hours less than the current OMB inventory of 65 hours. The decrease represents an adjustment of the number of respondents from 65 to 54.

The cost burden increased due to the increase in the reported hourly wages of a Compliance Manager, due to an increase from 1.35 to 5.35 in the multiplier that the Commission uses to account for bonuses, firm size, employee benefits and overhead in calculating hourly wages for purposes of PRA cost burdens.

16. Information Collections Planned for Statistical Purposes

Not applicable. The information collected is not used for statistical purposes.

17. Explanation as to Why Expiration Date Will Not Be Displayed

Not applicable. The Commission is not seeking approval to not display the expiration date for OMB approval.

18. Exceptions to Certification

Not applicable. The Commission is not seeking an exception to the certification statement.

B. Collection of Information Employing Statistical Methods

Not applicable. This collection does not employ statistical methods.