

Rule 17a-22 Supporting Statement

A. Justification

(1) Necessity for Information Collection

As a result of the paperwork crisis that occurred in the late 1960s, during which the number of securities transactions exceeded the securities industry's capacity to process those transactions, Congress enacted the Securities Acts Amendments of 1975,² which amended the Securities Exchange Act of 1934 ("Exchange Act") in order to establish a national system for the prompt and accurate clearance and settlement of securities transactions.

As part of those amendments, Congress authorized and directed the Commission to oversee clearing agencies, which play a central role in the development and functioning of the national clearance and settlement system. In 1980, the Commission adopted Rule 17a-22 under the Exchange Act pursuant to authority in Sections 2, 17, 17A, and 23(a) of the Exchange Act (15 U.S.C. Sections 78b, 78q, 78q-1, and 78w(a), respectively). The rule requires registered clearing agencies to file with the Commission copies of any materials (such as manuals, notices, circulars, bulletins, lists, and periodicals) that it issues or makes generally available to its participants and other interested persons.

(2) Purposes of and Consequences of Not Requiring the Collection of Information

The Commission uses the information filed pursuant to Rule 17a-22 to determine whether a clearing agency (1) is implementing procedural or policy changes and, if so, to determine whether such changes are consistent with the purposes of Section 17A of the Exchange Act, and (2) has changed its rules without reporting the actual or prospective change to the Commission as required by Section 19(b) of the Exchange Act. Without Rule 17a-22, the Commission could not perform these duties as statutorily required.

(3) Role of Improved Information Technology and Obstacles to Reducing Burden

The Commission and the registered clearing agencies continue to improve their systems for information gathering and compilation through increasing use of and improvements in computer technology. We believe that the burden associated with complying with Rule 17a-22 is relatively small, in part due to the use of better information technology.

(4) Efforts to Identify Duplication

² Pub. L. No. 94-29, 89 Stat. 97 (June 4, 1975).

Clearing agencies are not exclusively regulated by the Commission. For some clearing agencies, for example, the Federal Reserve Board is the “appropriate regulatory agency” or primary regulator.³ Rule 17a-22 requires duplicate filings when the Commission is not a registered clearing agency’s primary regulator. However, since this rule applies only to already published material, the additional cost of making such duplicative filing is minimal.

(5) Effect on Small Entities

No information is requested from small entities.

(6) Consequences of Less Frequent Collection

If information were collected less frequently, the Commission’s ability to monitor compliance of registered clearing agencies would be weakened. See question 2, above.

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

The collection is not conducted in a manner inconsistent with the guidelines in 5 CFR 1320.6.

(8) Consultations Outside the Agency

Rule 17a-22 was adopted by the Commission after notice and comment. Since the rule remains unchanged, there has been no need for consultation outside the agency.

(9) Payment of Gift to Respondents

Not applicable.

(10) Assurance of Confidentiality

Not applicable; no assurance of confidentiality is provided by Rule 17a-22.

(11) Sensitive Questions

No questions of a sensitive nature are asked.

(12) Estimate of Respondent Reporting Burden

The Commission receives approximately 1,200 responses per year pursuant to Rule 17a-22. This figure is based upon sample responses from six active and registered clearing agencies. The most active clearing agency sent the Commission approximately 500 responses and the least active sent less than fifty. We think that an average of 200

³ “Appropriate regulatory agency” is defined in Section 3(a)(22) of the Exchange Act, 15 U.S.C. 78a22.

annual responses per active clearing agency is a reasonable figure. The Commission staff estimates that each response requires approximately .25 hour (fifteen minutes), which represents the time it takes for a staff person at the clearing agency to properly identify a document subject to the rule, print and makes copies, and mail that document to the Commission. Thus, the total annual burden for all active clearing agencies is 300 hours (1,200 multiplied by .25 hour) and a total of 50 hours (1,200 responses multiplied by .25 hour, divided by 6 active clearing agencies) per year are expended by each respondent to comply with the rule.

(13) Estimate of Total Annualized Cost Burden

There is no cost to respondents other than the monetized internal cost of the respondent reporting burden described in Item 12, above.

(14) Estimate of Cost to Federal Government

There is no cost to the Federal government.

(15) Explanation of Changes in Burden

There are no changes in the burden.

(16) Information Collection Planned for Statistical Purposes

Not applicable.

(17) Explanation as to Why Expiration Date Will Not be Displayed

Not applicable.

(18) Exceptions to Certification

Not applicable.

B. Collection of Information Employing Statistical Methods

No statistical methods are employed in connection with this collection of information.