

Rule 17a-19

Form X-17A-19 Report by national securities exchanges and registered national securities associations of changes in the membership status of any of their members.

Supporting Statement

A. Justification

1. Necessity of Information Collection

Before it begins doing business, a broker-dealer must become a member of a self-regulatory organization (“SRO”). SROs assist the Securities and Exchange Commission (“Commission”) in regulating the activities of broker-dealers. The Financial Industry Regulatory Authority (FINRA), a registered national securities association, and the national securities exchanges are all SROs. In a 1974 study, the Commission recommended that each broker-dealer be examined by and report to only one SRO regarding financial responsibility and related recordkeeping. However, the study concluded that, for this system to be successful, the Commission would have to receive prompt notification of any change in the broker-dealer’s membership in an SRO. The Commission therefore adopted Securities Exchange Act of 1934¹ (“Exchange Act”) Rule 17a-19 (17 CFR 240.17a-19) and Form X-17A-19 (17 CFR 249.635) in 1974 to require and facilitate the reporting of this information.

Rule 17a-19 requires every national securities exchange and registered national securities association to file a Form X-17A-19 with the Commission within 5 business days of the initiation, suspension, or termination of any member and, when terminating the membership interest of any member to notify that member of its obligation to file financial reports as required by Exchange Act Rule 17a-5(b) (17 CFR 240.17a-5).

The Commission adopted Rule 17a-19 pursuant to sections 17(a) and 23(a) of the Exchange Act, 15 U.S.C. sections 78q(a) and 78w(a), respectively.

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

Upon the receipt of a Form X-17A-19, Commission staff puts the information into a database, which is regularly shared with the self-

¹ 15 U.S.C. 78a et seq.

regulatory organizations. The Commission uses the information contained in Form X-17A-19 to assign the appropriate SRO to be the designated examining authority (“DEA”) for the member firm. This information is also used by the Securities Investor Protection Corporation (“SIPC”) in determining which self-regulatory body is the collection agent for the SIPC fund.

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

While both the Commission and the SROs continue to improve their systems for information gathering and compilation through increasing use of computer technology, the burden associated with filing each Form X-17A-19 is already negligible. Thus, improved information technology will have little effect in reducing the burden.

4. Efforts to Identify Duplication

Not applicable. Rule 17a-19 is the only rule that requires the submission of this information. Because no similar information is already available, no duplication exists.

5. Effects on Small Entities

The required reports are not extensive, and therefore the collection of information is not unduly burdensome for small entities.

6. Consequences of Less Frequent Collection

If this information were collected less frequently, broker-dealers could be subject to duplicate examinations by SROs.

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

Not applicable. The Rule is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

Not applicable. Consultations outside the agency are not conducted with regard to Rule 17a-19.

9. Payment of Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Not applicable. No assurance of confidentiality is provided by Rule 17a-19.

11. Sensitive Questions

Questions of a sensitive nature are not asked.

12. Estimate of Respondent Reporting Burden

The information requested by Form X-17A-19 is obtained from the respondent's membership files. The Commission staff estimates that, in its experience, Form X-17A-19 can be completed and signed within 15 minutes.

The number of responses per year per respondent varies, depending on the number of broker-dealers and the number of membership changes reported. The number of filings is approximately 600 per year. The aggregate time spent by all respondents per year in complying with the rule is therefore approximately 150 hours (600 responses times 1/4 hour equals 150 hours).

13. Estimate of Total Annualized Cost Burden

Not applicable. It is not anticipated that respondents will have to incur capital or start-up costs to comply with the Rule.

14. Estimate of Cost to Federal Government

Commission staff estimates that there is no annual cost to the Federal Government associated with Rule 17a-19.

15. Explanation of Changes in Burden

We previously estimated that there were approximately 1,800 filings per year. This number has decreased, for the most part because there are fewer registered broker-dealers now than there were three years ago.

16. Information Collection Planned for Statistical Purposes

Not applicable. The Commission does not publish information collected pursuant to Rule 17a-19.

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

Not applicable.