

## SUPPORTING STATEMENT

### Rule 17Ab2-1 and Form CA-1

#### A. Justification

##### 1. Necessity of Information Collection

During the late 1960s, the securities industry was unable to handle a dramatic increase in securities transactions and therefore experienced a “paperwork crisis.” In response, as part of the Securities Acts Amendments of 1975, Congress amended the Securities Exchange Act of 1934 (the “Act”) to foster a prompt and accurate national system for the clearance and settlement of securities transactions. Congress charged the Commission with the responsibility of overseeing clearing agencies.

Section 17A(b)(1) of the Act prohibits any clearing agency from operating in interstate commerce unless it is registered with the Commission. Section 17A(b)(2) authorizes the Commission to promulgate a rule adopting an application for the registration of clearing agencies that requires disclosure of an applicant’s rules and any other information that the Commission deems necessary or appropriate. Section 17A(b)(3) of the Act prohibits the Commission from registering a clearing agency unless it meets certain standards specified in that section, including the ability to safeguard securities and the ability to enforce the clearing agency’s rules.

To implement Section 17A(b) of the Act, the Commission adopted Rule 17Ab2-1 and Form CA-1 on November 3, 1975. The rule provides that Form CA-1 must be submitted to the Commission by any entity applying to be a registered clearing agency. Furthermore, Rule 17Ab2-1 provides for temporary and permanent exemptions from registration, and temporary exemption from the standards for registration enumerated in Section 17A(b)(3) of the Act. In addition, the rule requires that certain portions of Form CA-1 be kept up-to-date.

The Commission adopted Rule 17Ab2-1 and Form CA-1 pursuant to authority found in Sections 2, 17, 17A, 19, and 23(a) of the Act (15 U.S.C. Sections 78b, 78q, 78q-1, 78s, and 78w, respectively).

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

The Commission uses the information disclosed on Form CA-1 to (a) determine whether an applicant meets the standards for registration set forth in the Act, (b) enforce compliance with the Act’s registration requirement, and (c) provide information about specific registered clearing agencies for compliance and investigatory purposes. Without Rule 17Ab2-1, the Commission could not perform these duties as statutorily required.

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

Both the Commission and the clearing agencies continue to improve their systems for information gathering and compilation through increasing use of computer technology. While the burden associated with complying with Rule 17Ab2-1 and Form CA-1 is significant, improved information technology has helped in keeping the burden as small as possible.

4. Efforts to Identify Duplication

Not applicable; there is no duplication of information.

5. Effects on Small Entities

No information is requested from small businesses.

6. Consequences of Less Frequent Collection

If information is collected less frequently, the Commission would be less able to monitor compliance of clearing agencies. Commission oversight of self-regulatory organizations, including clearing agencies, would be ineffective without the timely reporting of significant events, including rule changes.

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

The information collection is not conducted in a matter that is inconsistent with 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The Commission adopted the Rule and Form after notice and comment. Since the Rule and Form remain unchanged, there has been no recent need for consultation with persons outside the agency.

9. Payment or Gift to Respondents

Not applicable; no payment or gift will be made to respondents.

10. Assurances of Confidentiality

Most information collected pursuant to Rule 17Ab2-1 and Form CA-1 is public. However, some material that is especially sensitive for competitive reasons may be given confidential treatment under current staff policy.

11. Sensitive Questions

While certain information may be kept confidential by the staff for competitive reasons

(see Question 10, above), no sensitive information is collected pursuant to Rule 17Ab2-1 or Form CA-1.

12. Estimate of Respondent Reporting Burden

The Commission receives approximately one Form CA-1 per year, pursuant to Rule 17Ab2-1. There are currently approximately six registered operational clearing agencies and five clearing agencies that have been granted an exemption from registration. The Commission staff estimates that each initial Form CA-1 requires approximately 130 hours to complete and submit for approval. Hours required for amendments to Form CA-1 that must be submitted to the Commission in connection with material changes to the initial CA-1 can vary, depending upon the nature and extent of the amendment. Since the Commission only receives an average of one submission per year, the aggregate annual burden associated with compliance with Rule 17Ab2-1 and Form CA-1 is 130 hours.

13. Estimate of Total Annualized Cost Burden

As noted in Question 12, there are presently approximately six registered operational clearing agencies and five clearing agencies that have been granted an exemption from registration, and the Commission receives approximately one Form CA-1 filing per year. Based upon the staff's experience and its discussions with certain of the clearing agencies, the average cost to each clearing agency for preparing and filing the initial Form CA-1 is estimated to be \$18,000.

14. Estimate of Cost to the Federal Government

Cost to the federal government results from appropriate regulatory staff time and related overhead cost devoted to assuring compliance by clearing agencies with the requirements of the rule. The staff estimates that approximately 25 hours of staff time is expended on this activity. Since the Commission receives approximately one CA-1 filing per year, approximately 25 hours of staff time per year will be devoted to this activity, at a cost of \$40 per hour for a total cost of \$1,000 for staff time. Related overhead is estimated at \$435.42 for an estimated annual cost to the federal government of \$1,435.42. This amount was based upon our computation of the value of staff time devoted to this activity and the related overhead, valued at 35 percent of staff time. This estimate was computed based upon GSA, Guide to Estimating Reporting Costs (1973). In certain circumstances, the cost to the government may be more or less depending upon whether the CA-1 filing constitutes an initial registration or is an amendment to registration, the nature and complexity of the filing, and other factors.

15. Explanation of Changes in Burden

There are no changes in the burden.

16. Information Collections Planned for Statistical Purposes

Not applicable; there is no intention to publish the information for any purpose.

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

The collection of information does not employ statistical methods, nor would the implementation of such methods reduce burden or improve accuracy of results.