

SUPPORTING STATEMENT

Justification

1. Necessity of Information Collection. Rule 17a-25 (17 CFR 240.17a-25), under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et. seq.*). Registered broker-dealers are required to electronically submit securities transaction information, including identifiers for prime brokerage arrangements, average price accounts, and depository institutions, in a standardized format when requested by the Commission staff. In addition, the rule requires broker-dealers to submit, and keep current, contact person information for electronic blue sheets ("EBS") requests.
2. Purposes of, and Consequences of Not Requiring, the Information Collection. Rule 17a-25 requires registered broker-dealers to submit securities trading data in an uniform electronic format, preferably using the existing reporting mechanism known as the electronic blue sheet system ("EBS"), when requested by the Commission staff for enforcement and other regulatory purposes. Rule 17a-25 also requires the electronic submission of trading information to include new data elements to the EBS that will assist the Commission staff in conducting complex enforcement inquiries and investigations. Additionally, the Rule requires broker-dealers to submit and keep current, contact person information for EBS requests. The Commission uses the information for enforcement inquiries or investigations and trading reconstructions, as well as for inspections and examinations.
3. Role of Improved Information Technology and Obstacles to Reducing Burden. The EBS system is designed to reduce the burden of collecting and transmitting securities trading data. This technology increases the speed, accuracy and availability of trading information, thereby generating benefits to both investors and the financial markets.
4. Efforts to Identify Duplication. Not applicable. There is no apparent duplication of information.
5. Effect on Small Entities. The Commission believes that Rule 17a-25 has a minimal effect on the approximately 915 broker-dealers who qualify as a small business or organization. Most provisions apply only to the 5308 that do business with the general public. The vast majority of the information required in Rule 17a-25 involves collections of information that broker-dealers already maintain in compliance with existing regulations, and SRO rules currently require broker-dealers to have adequate systems and procedures to submit the EBS transaction reports. The Commission estimates that no small broker-dealers would be required to modify their EBS-related software to capture and report the new data.
6. Consequences of Less Frequent Collection. The Commission requests securities trading data only when necessary for a specific enforcement inquiry or other regulatory purpose.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2). The information collection is conducted in a manner that is consistent with 5 CFR 1320.5(d)(2).
8. Consultations Outside the Agency. All Commission rule proposals are published in the Federal Register for public comment. Rule 17a-25 was originally published for comment on May 2, 2000 and the final rule was adopted on June 29, 2001.
9. Payment or Gift to Respondents. The respondents receive no payments or gifts.
10. Assurance of Confidentiality. Information filed pursuant to Rule 17a-25 will be kept confidential, subject to the Freedom of Information Act, 5 U.S.C. 552.
11. Sensitive Questions. Information required under this rule is of a sensitive nature.
12. Estimate of Respondent Reporting Burden. The annual hour burden of Rule 17a-25 for individual broker-dealers would vary widely because of differences in the levels of activities of the respondents and because of differences in the current recordkeeping systems of the respondents. However, it is estimated that each broker-dealer who responds electronically will take 8 minutes, and each broker-dealer who responds manually will take 1½ hours to prepare and submit the securities trading data requested by the Commission. Based on EBS data compiled by the Commission for the period January 1, 2007 to June 1, 2009, the Commission estimates that it sent 5168 electronic blue sheet requests to clearing broker-dealers, who in turn submitted 79,992 responses.¹ Accordingly, the annual aggregate hour burden for electronic and manual response firms is estimated to be 10,786 ($79,992 \times 8 \div 60 = 10,666$ hours) + ($80 \times 1.5 = 120$ hours), respectively.²

In addition, the Commission estimates that it may request 500 broker-dealers to supply the contact information identified in Rule 17a-25(c) and the submission should take each broker-dealer approximately 5 minutes to prepare. To be conservative, the Commission estimates that each of these broker-dealers will revise the contact information twice a year, and each revision will also take approximately 5 minutes to prepare (10 minutes total), therefore, the initial submission and the two revisions will

¹ A single EBS request has a unique number assigned to each request (e.g. "0900001"). However, the number of broker-dealer responses generated from one EBS request can range from one to several hundred. EBS requests are sent directly to clearing firms, as the clearing firm is the repository for trading data for securities transactions information provided by itself and correspondent firms. Clearing brokers respond for themselves and other firms they clear for.

² Few of respondents submit manual EBS responses. The small percentage of respondents that submit manual responses do so by hand, via email, spreadsheet, disk, or other electronic media. Thus, the number of manual submissions (80) has minimal effect on the total annual burden hours.

take approximately 15 minutes total for each broker-dealer. Accordingly, the annual aggregate burden for supplying the information requested in Rule 17a-25(c) is 125 hours (500 x 15 ÷ 60).

Thus, the annual aggregate burden for all respondents to the collection of information requirements of Rule 17a-25 is estimated at 10,911 hours (10,786 + 125).

13. Estimate of Total Annualized Cost Burden. The Commission estimates that approximately 100 broker-dealers would have to make a one-time adjustment to their existing EBS software to capture additional data elements identified in Rule 17a-25(c). The Commission assumes adjustments to the systems have been made. The Commission believes that there will be no additional costs associated with the operation and maintenance of the modified EBS systems. In addition, Rule 17a-25 will not impose any additional recordkeeping requirements for the broker-dealers since broker-dealers already maintain all of the information required for EBS reports. Therefore the annualized cost burden is \$0.
14. Estimate of Cost to Federal Government. Estimated staff time is \$3,987,325.
15. Explanation of Changes in Burden. The increase in burden hours is based on the actual number of electronic and manual submissions received by the Commission from January 1, 2007 to June 1, 2009. The Commission estimates that it sent 5168 electronic blue sheet requests to clearing broker-dealers, who in turn submitted 79,992 responses; in addition there were 80 manual responses and 500 responses with updated contact information for a total of 80,572 responses. The increase in the number of responses to 80,572 increased the burden hours to 10,911.
16. Information Collections Planned for Statistical Purposes. The Commission does not intend to publish or disclose specific trading data or information for statistical use. When the Commission undertakes market reconstructions, however, some aggregate information may be used for statistical purposes.
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.