

SUPPORTING STATEMENT
for the Paperwork Reduction Act Current Information Collection Submission for
“Rule 17A-22”

A. JUSTIFICATION

1. Necessity of 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. Purpose and Use of the Information Collection

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. Consideration Given to Information Technology

Rule 17a-22 requires registered transfer agents to file three hard 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. Nonetheless, the clearing agencies typically utilize computer systems to identify and collect the required materials.

4. Duplication

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

Rule 17a-22 requires duplicate filings when the Commission is not a registered clearing agency's "appropriate regulatory agency."³ However, since the 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 Not Conducting Collection

If information were collected less frequently, the Commission's ability to monitor compliance of registered clearing agencies would be weakened.

7. Inconsistencies with Guidelines in 5 CFR 1320.8(d)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.8(d).

8. Consultations Outside the Agency

Rule 17a-22 was adopted by the Commission after notice and comment. No comments were received during the 60 day comment period. Since the rule remains unchanged, there has been no need for additional consultation outside the agency.

9. Payment or Gift

There were no payments or gifts to respondents.

10. Confidentiality

Not applicable; no assurance of confidentiality is provided by Rule 17a-22. The rule does not require respondents to submit personally-identifying information.

11. Sensitive Questions

No questions of a sensitive nature are asked.

12. Burden of Information Collection

Rule 17a-22 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. Thus, Rule 17a-22

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

imposes an ongoing reporting burden for registered clearing agencies to solely to the Commission.

The Commission receives approximately 800 responses per year pursuant to Rule 17a-22. This figure is based upon sample responses from four active 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 annual responses per active clearing agency is a reasonable figure. The Commission staff estimates that each response requires approximately .25 hours (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 200 hours (4 active clearing agencies multiplied by 200 responses multiplied by .25 hours) and a total of 50 hours (800 total responses multiplied by .25 hour, divided by 4 active clearing agencies) per year are expended by each respondent to comply with the rule.

13. Costs to Respondents

The work associated with the respondent reporting burden of 200 hours per year is typically performed by the registered clearing agencies' staff. Because these costs consist of materials that have been prepared for widespread distribution, the additional cost to the clearing agencies associated with submitted copies to the Commission is relatively small. The Commission staff estimates that the aggregate cost of compliance with Rule 17a-22 to all clearing agencies is \$3,200 per year. There is no capital or start up component to this amount. Rather, this estimate includes postage (\$1,600), which we estimate to be about \$2 per filing (800 responses multiplied by \$2) plus the estimated cost of additional printing, envelopes, and other administrative expenses (800 responses multiplied by \$2).

14. Costs to Federal Government

The annualized cost to the Federal Government is zero because the rule only requires normal full-time employees to review the materials.

15. Changes in Burden

The reduction in the estimated respondent reporting and total annualized cost burdens from the previous submission in 2008 is due to the reduction in the number of active registered clearing agencies.

16. Information Collection Planned for Statistical Purposes

The collections of information statistics for Rule 17a-22 will not be published.

17. Display of OMB Approval Date

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.