

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-19 and Form X-17A-19

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 and Use of 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 SROs. 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.

¹ 15 U.S.C. 78a et seq.

3. Consideration Given to Information Technology

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. Duplication

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. Effect 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 Not Conducting Collection

If this information was not collected, broker-dealers would be subject to duplicate examinations by SROs.

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

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

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

There are no payments or gifts.

10. Confidentiality

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

This is a reporting burden occurring on an ongoing basis. 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 membership changes reported. The number of filings is approximately 1,200 per year. The aggregate time spent by all respondents per year in complying with the rule is approximately 300 hours. The estimated cost of clerical time to complete the form is \$16.75 per response. Since there are approximately 1,200 responses per year, the aggregate compliance cost for the respondents is \$20,100.

13. Costs to Respondents

(a) It is not anticipated that respondents will have to incur any capital and start up cost to comply with the rule. (b) It is not anticipated that the respondents will have to incur any additional operational or maintenance cost (other than provided for in item No. 12) to comply with the rule.

14. Costs to Federal Government

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

15. Changes in Burden

The burden has been increased to reflect an increase in the number of membership changes taking place in national securities exchanges and registered national securities associations and the resulting increase in the annual number of Form X-17A-19 filings with the Commission.

16. Information Collection Planned for Statistical Purposes

The Commission does not publish information collected pursuant to Rule 17a-19 and Form X-17A-19.

17. Display of OMB Approval Date

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

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.