

**SUPPORTING STATEMENT
for the Paperwork Reduction Act
Information Collection Submission for
“Rule 17a-25”**

A. 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.*), requires registered broker-dealers 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 and Use of the Information Collection

Rule 17a-25 requires registered broker-dealers to submit securities trading data in a 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. Consideration Given to Information Technology

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. 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 804 broker-dealers who qualify as a small business or organization. Most provisions

apply only to the 4705 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 Not Conducting 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)

There are no special circumstances. The information collection is conducted in a manner that is consistent with 5 CFR 1320.5(d)(2).

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

The respondents receive no payments or gifts.

10. 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

Not applicable. No inquiries of a sensitive nature are made.

12. Burden of the Information Collection

The annual hour burden of Rule 17a-25 for individual broker-dealers would vary widely due to 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 June 2, 2009 to July 2, 2012, the Commission estimates that it sent 7169 electronic blue sheet requests to clearing broker-dealers, who

in turn submitted 87,454 responses.¹ Accordingly, the annual aggregate hour reporting burden for electronic and manual response firms is estimated to be 11,780 ($87,454 \times 8 \div 60 = 11,660$ hours) + ($80 \times 1.5 = 120$ hours), respectively.²

In addition, the Commission estimates that it may request 8 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 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 ($500 \times 15 \div 60$).

Thus, the annual aggregate reporting burden for all respondents to the collection of information requirements of Rule 17a-25 is estimated at 11,905 hours ($11,660 + 120 + 125$).

13. Costs to Respondents

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.

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 thousands. 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.

14. Costs to Federal Government

\$4,163,380.

15. Changes in Burden

The increase in burden hours is based on the actual number of electronic and manual submissions received by the Commission from June 1, 2009 to July 2, 2012. The Commission estimates that it sent 7169 electronic blue sheet requests to 45 clearing broker-dealers, who in turn submitted 87,454 responses; in addition there were 80 manual responses and 500 responses with updated contact information for a total of 88,034 responses. The increase in the number of responses to 88,034 increased the burden hours to 11,905.

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.

16. Approval to Omit OMB Expiration Date

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

17. Exceptions to Certification

Not applicable.

B. Collection of Information Employing Statistical Methods

The collection of information does not employ statistical methods.