

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 17a-25

A. Justification

1. Information Collection Necessity

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. Information Collection Purpose and Use

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 EBS system, 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 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 1,349 broker-dealers who qualify as a small business or organization.¹ Most provisions

¹ The Commission recently revised its methodology for estimating the number of small

apply only to the 4,228 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.

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. This collection is consistent with the guidelines in 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

The information in the collections of information discussed above will not be made publicly available, except as provided by the Privacy Act of 1974 (5 U.S.C. 552a).

11. Sensitive Questions

Rule 17a-25 collects certain Personally Identifiable Information (“PII”). Records include name, address, and taxpayer identification number or social security number; (ii) the amount, status, and history of the debt; and (iii) the fact that the debt arose from a Commission action or proceeding to enforce the federal securities laws. A System of Records Notice has been published in the Federal Register at 67 FR 48497 and can also be found at <http://www.sec.gov/about/privacy/sorn/secsorn42.pdf>.

12. Information Collection Burden

broker-dealers. This has resulted in an increase in the reported number of small broker-dealers relative to previous Commission releases.

The annual hour burden of Rule 17a-25 for individual broker-dealers varies 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 the broker-dealers that respond electronically will take 8 minutes, and the broker-dealers that responds manually will take 1½ hours to prepare and submit the securities trading data requested by the Commission. We estimate that based on EBS data compiled by the Commission for the period October 1, 2013 to October 23, 2015 the Commission estimates that it sent 7,697 electronic blue sheet requests to clearing broker-dealers, who in turn submitted 124,912 responses.² Accordingly, the annual aggregate hour reporting burden for electronic and manual response firms is estimated to be 8,114 ($59,958 \times 8 \div 60 = 7,994$ hours) + ($80 \times 1.5 = 120$ hours), respectively.³

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 2 hours ($8 \times 15 \div 60$).

Thus, the annual aggregate reporting burden for all respondents to the collection of information requirements of Rule 17a-25 is estimated at 8,116 hours ($7,994 + 120 + 2$).

13. Costs to Respondents

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 because broker-dealers already maintain all of the information required for EBS reports. Therefore the annualized cost burden is \$0.

² A single EBS request has a unique number assigned to it (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. There were 124,912 responses during the 25 month period for an average of 4,996.5 responses per month or an average of 59,958 annual responses.

³ Few 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 decrease in burden hours is due to incorrect calculations in the last ICR.

16. Information Collection 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. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the 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

The collection of information does not involve statistical methods.