

**SUPPORTING STATEMENT**  
**For the Paperwork Reduction Act Information Collection Submission for**  
**Rule 17a-7**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Section 17(a)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”) provides that broker-dealers registered with the Securities and Exchange Commission (“Commission”) must make and keep for prescribed periods, and furnish copies of, such records as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act. Pursuant to this authority, the Commission adopted Rules 17a-3 and 17a-4 (17 CFR 240.17a-3 and 17 CFR 240.17a-4). Rule 17a-3 requires broker-dealers to make certain records, including trade blotters, asset and liability ledgers, income ledgers, customer account ledgers, securities records, order tickets, trade confirmations, trial balances, and various employment related documents. Rule 17a-4 specifies the manner in which the records created in accordance with Rule 17a-3, and certain other records produced by broker-dealers, must be maintained. It also specifies the required retention periods for these records. In combination, Rules 17a-3 and 17a-4 require broker-dealers to create, and preserve in an easily accessible manner, a comprehensive record of each securities transaction they effect and of their securities business in general.

Paragraph (a)(1) of Exchange Act Rule 17a-7 (17 CFR 240.17a-7), “Records of non-resident brokers and dealers,” generally requires a non-resident broker-dealer (defined generally in section (d)(3) of the rule as a broker or dealer residing in, incorporated in, or with its principal place of business in any place not subject to the jurisdiction of the United States) registered or applying for registration pursuant to Section 15 of the Exchange Act to maintain in the United States complete and current copies of books and records required to be maintained or preserved pursuant to “any provision of any rule or regulation of the Commission” adopted under the Exchange Act, which would include Rules 17a-3 and 17a-4.

Paragraph (a)(2) of Rule 17a-7 generally requires a non-resident broker-dealer to furnish a written notice to the Commission specifying the place within the United States where the copies of the books and records are located.

Under paragraph (b) of Rule 17a-7, however, a broker-dealer is not required to maintain those books and records in the United States if: (1) the broker-dealer files with the Commission a written undertaking to furnish to the Commission, upon demand, copies of any of the books and records the broker-dealer is required to maintain or preserve (the undertaking must in the form specified in the rule); and (2) the broker-dealer furnishes to the Commission within 14 days after a written demand from the Commission complete and current copies of any books and records that are specified in the demand.

## **2. Purpose and Use of the Information Collection**

The information contained in the records required to be maintained by broker-dealers subject to Rule 17a-7 is used by Commission examiners, representatives of the Commission, and self-regulatory organizations (“SROs”) to ensure that these broker-dealers are in compliance with the financial responsibility, antifraud, anti-manipulative, and other rules and regulations of the Commission and the SROs. The purpose of Rule 17a-7 is the protection of investors. If the Commission did not have access to that information, the Commission’s ability to oversee compliance with Exchange Act and SRO rules would be impaired.

## **3. Consideration Given to Information Technology**

Rule 17a-4(f) permits broker-dealers to employ micrographic or electronic storage media to maintain records required to be preserved under Rule 17a-4. The records broker-dealers must preserve under Rule 17a-7 may be preserved using these types of storage media.

## **4. Duplication**

Similar information is not available in another form.

## **5. Effect on Small Entities**

The number and complexity of records required to be preserved pursuant to Rule 17a-7 will vary proportionately with the volume and complexity of each broker-dealer’s business. Accordingly, small businesses should not encounter any significant or disproportionate impact.

## **6. Consequences of Not Conducting Collection**

If the Commission did not have access to the broker-dealer books and records outlined above, the Commission’s ability to oversee compliance of non-resident broker-dealers with Exchange Act and SRO rules would be impaired.

## **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**

No payment or gift was provided to respondents.

## **10. Confidentiality**

The records required to be maintained by Rule 17a-7 and the notices and undertakings required to be furnished to the Commission are typically available only to the examination staffs of the Commission, state securities authorities, and SROs. Subject to the provisions of the Freedom of Information Act (5 U.S.C. 552) and the Commission's rules under the Freedom of Information Act (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.

## **11. Sensitive Questions**

No questions of a sensitive nature are involved. The information collection does not collect any Personally Identifiable Information (PII).

## **12. Burden of Information Collection**

Based on staff experience, we estimate that the average amount of time necessary to prepare and submit the documents required by Rule 17a-7 is approximately one hour per year. Therefore, since there are approximately 45 non-resident broker-dealers, the total industry-wide reporting burden is approximately 45 hours per year. Assuming an average cost per hour of approximately \$291 for a compliance manager, the total internal cost of compliance for the respondents is approximately \$13,095 per year.<sup>1</sup>

## **13. Costs to Respondents**

Other than the internal compliance costs associated with the burden of information collection discussed in item 12 above, Rule 17a-7 does not impose any additional costs on respondents.

## **14. Costs to Federal Government**

The government would not experience significant costs based on the recordkeeping and reporting required pursuant to Rule 17a-7. The information collected by the respondents would be

---

<sup>1</sup> \$291 per hour for a compliance manager is from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff for an 1800-hour work-year, multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, and adjusted for inflation.

reviewed only as part of an investigation or examination of a respondent. The Commission would not routinely review the records kept by the respondents.

**15. Changes in Burden**

The annual reporting and recordkeeping hour burden has decreased from 51hours to 45 hours due to a decrease in the number of respondents from 51 to 45.

**16. Information Collection Planned for Statistical Purposes**

The information collected is not 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**

This collection does not involve statistical methods.