

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17f-1(g)

A. JUSTIFICATION

1. Necessity of Information Collection

The Commission, pursuant to Sections 2, 17(f), 19(a), and 23 of the Securities Exchange Act of 1934 (“Act”), adopted Rule 17f-1 on December 6, 1976. This Rule implemented Section 17(f)(1) of the Act by establishing reporting and inquiry requirements regarding missing, lost, stolen, or counterfeit securities. Section 17(f)(1) of the Act was a response by Congress to the large number of securities thefts that had occurred in recent years. Testimony at the hearings conducted before the Senate Permanent Subcommittee on Investigation between 1971 and 1974 indicated that the trafficking in stolen securities was a profitable area for organized crime and that the failure to have available to the financial community a means of easily identifying missing, lost, stolen or counterfeit certificates was a contributing factor to the increase in, and ease of, negotiating such securities. The purpose of Section 17(f)(1) and Rule 17f-1 thereunder is to create a central data base of information related to missing, lost, stolen, or counterfeit securities and to make available to covered institutions information that promptly identifies those securities, removing them from the stream of commerce and facilitating the capture of those who engage in such traffic.

Paragraph (g) of Rule 17f-1 requires that all reporting institutions (i.e., every national securities exchange, member thereof, registered securities association, broker, dealer, municipal securities dealer, registered transfer agent, registered clearing agency, participant therein, member of the Federal Reserve System, and bank insured by the FDIC) maintain and preserve a number of documents related to their participation in the Lost and Stolen Securities Program (“Program”) under Rule 17f-1. The following documents must be kept in an easily accessible place for three years, according to paragraph (g): (1) copies or all reports of theft or loss (Form X-17F-1A) filed with the Commission’s designee; (2) all agreements between reporting institutions regarding registration in the Program or other aspects of Rule 17f-1; and (3) all confirmations or other information received from the Commission or its designee as a result of inquiry.

2. Purpose and Use of the Information Collection

Reporting institutions utilize these records and reports (a) to report missing, lost, stolen or counterfeit securities to the database, (b) to confirm inquiry of the database, and (c) to demonstrate compliance with Rule 17f-1. The Commission and the reporting institutions’ examining authorities utilize these records to monitor the incidence of thefts and losses incurred by reporting institutions and to determine compliance with Rule 17f-1. If reporting institutions did not retain such records, compliance with Rule 17f-1 could not be monitored effectively.

3. Consideration Given to Improved Technology

Most transfer agent processing systems are automated and those automated systems enable transfer agents to easily identify and to retain records under the Rule. There are no legal or technical obstacles that, if removed, would reduce burdens.

4. Duplication

No other reporting requirement with respect to the information required to be reported under the Rule currently exists.

5. Effect on Small Entities

The minimal record retention requirements of Rule 17f-1(g) do not require small entities to create records, but simply to retain existing records.

6. Consequences of Not Conducting Collection

Rule 17f-1(g) does not require periodic collection, but does require retention of records generated as a result of compliance with Rule 17f-1. Any less frequent reporting or inquiry under Rule 17f-1 would expose reporting institutions to significant financial loss.

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

Not applicable.

10. Confidentiality

Under Section 17(b) and (f) of the Act, the information required by Rule 17f-1(g) is available to the Commission and Federal bank regulators for examinations or collection purposes. Rule 0-4 of the Act deems such information to be confidential.

11. Sensitive Questions

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

12. Burden of Information Collection

The Commission estimates that there are approximately 12,971 reporting institutions (respondents) and, on average, each respondent would need to retain 33 records annually, with each retention requiring approximately 1 minute (a total of 33 minutes or 0.55 hours per respondent per year). Thus, the total estimated annual time burden for all respondents is 7,134 hours ($12,971 \times 0.55 \text{ hours} = 7,134$). Assuming an average hourly cost for clerical work of \$50.00, the average total yearly record retention cost of compliance for each respondent would be \$27.50 ($\$50 \times 0.55 \text{ hours}$). Based on these estimates, the total annual compliance cost for the estimated 12,971 reporting institutions would be approximately \$356,702 ($12,971 \times \27.50).

13. Costs to Respondents

Not applicable. The Commission does not anticipate that respondents would have to incur any capital or startup costs, nor any additional operational or maintenance costs (other than as provided in Item 12), to comply with the collection of information requirements required by Rule 17f-1(g).

14. Costs to Federal Government

Records required by Rule 17f-1(g) generally cost the Federal Government little because the records are maintained by the transfer agents and are produced as requested during transfer agent examinations. It is estimated that the review of these records during examinations takes approximately three hours, costing the Commission and Federal Bank Regulatory Agencies approximately \$4,050 based on the number of transfer agents examined each year and our computation of the value of staff time devoted to examinations and the related overhead, valued at 35% of the value of staff time. Costs to the Federal Government also include staff time devoted to responding to questions from transfer agents regarding the rule. The staff estimates that approximately 60 hours of staff time per year are devoted to Rule 17f-1(g), at a cost of \$3,000 per year (60 hours times \$50). In addition, the staff estimates overhead expenses at \$1,050, resulting in total cost to the Federal Government of \$4,050. This figure is based on our computation of staff time devoted to this activity and related overhead at 35 percent of the value of staff time. This estimate was computed according to the guidelines set forth in GSA, Guide to Estimating Reporting Costs (1973).

15. Changes in Burden

Aggregate burden hours have decreased by 6,599 hours ($13,733 - 7,134 = 6,599$), due to the decrease by 11,998 in the number of reporting institutions that have registered in the Lost and Stolen Securities Program (year-end 2012 to year-end 2015). These 11,998 institutions chose to drop out of the Program either to avoid the costs involved or because of business closures.

16. Information Collection Planned for Statistical Purposes

Not applicable. This information collection 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 Submission

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.