

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for Rule 17a-5

A. JUSTIFICATION

1. Information Collection Necessity

Section 17(a)(1)¹ of the Securities Exchange Act of 1934 (“Exchange Act”) provides that broker-dealers must make and keep records, furnish copies of the records, and make and disseminate reports as the Securities and Exchange Commission (“Commission”), by rule, prescribes. Section 17(e)(1)(A)² of the Exchange Act requires every broker-dealer registered with the Commission to file annually with the Commission: (1) a balance sheet and income statement “certified by a[n] independent public accounting firm, or by a registered public accounting firm if the firm is required to be registered under the Sarbanes-Oxley Act of 2002”; and (2) such other financial statements (which shall, as the Commission specifies, be certified) and information concerning its financial condition as the Commission, by rule, may prescribe. A registered public accounting firm means a public accounting firm registered with the Public Company Accounting Oversight Board (“PCAOB”).³ Section 17(e)(2)⁴ of the Exchange Act provides that the Commission, by rule, may prescribe the form and content of the financial statements and the accounting principles and standards used in their preparation.

Exchange Act Rule 17a-5 is a reporting rule for broker-dealers.⁵ Paragraph (a) of Rule 17a-5 requires broker-dealers to file Form X-17A-5,⁶ the Financial and Operational Combined Uniform Single Report (“FOCUS Report”). The FOCUS Report was designed to eliminate the overlapping regulatory reports required by various self-regulatory organizations and the Commission and to reduce reporting burdens. The FOCUS Report consists of: (1) Part I, which is a monthly report that must be filed by every broker-dealer that clears transactions or carries customer accounts;⁷ (2) one of two alternative monthly or quarterly reports (a comprehensive Part II which must be filed by every broker-dealer that clears transactions or carries customer accounts and over-the-counter (“OTC”) derivatives dealers; or a less detailed Part IIA which must be filed by broker-dealers that do not clear transactions or carry customer accounts);⁸ and

¹ See 15 U.S.C. § 78q(a)(1).

² See 15 U.S.C. § 78q(e)(1)(A).

³ See Pub. L. No. 107-204 § 2(a)(12).

⁴ See 15 U.S.C. § 78q(e)(2).

⁵ See 17 CFR 240.17a-5.

⁶ See 17 CFR 249.17a-5(a).

⁷ In practice, broker-dealers are no longer required to file Part I of the FOCUS Report. See 17 CFR 240.17a-5(a)(4).

⁸ These reports must be filed within 17 business days after the end of each calendar month or quarter and within 17 days after the end of the fiscal year of the broker-dealer if that date is not the end of a calendar quarter. However, if a broker-dealer ceases to be a member in good standing of a national securities exchange or registered national securities association, paragraph (b) of Rule 17a-5 requires the broker-dealer to file its final applicable report within two business days after the broker-dealer ceases to be a member in good standing of such exchange or association, subject to certain exceptions.

(3) Part III, a Facing Page, which must be filed as the cover page for the annual audited financial statements broker-dealers file with the Commission pursuant to paragraph (d) of Rule 17a-5.

Paragraph (c) of Rule 17a-5 requires broker-dealers to furnish certain financial information to customers.⁹ Paragraph (d) of Rule 17a-5 requires broker-dealers, subject to limited exception, to file annual reports, including financial statements and supporting schedules that generally must be audited by a PCAOB-registered independent public accountant in accordance with PCAOB standards.¹⁰ Paragraph (h) of Rule 17a-5 contains notification requirements related to certain findings made during the course of the independent accountant's audit.¹¹ Paragraph (k) of Rule 17a-5 pertains to supplemental reports to be filed by broker-dealers that compute certain capital charges in accordance with Appendix E to Exchange Act Rule 15c3-1.¹² Paragraph (p) of Rule 17a-5 provides that OTC derivatives dealers may comply with Rule 17a-5 by complying with Exchange Act Rule 17a-12.¹³

2. Information Collection Purpose and Use

Reports required to be made under Rule 17a-5 are used, among other things, to monitor the financial and operational condition of a broker-dealer by Commission staff and by the broker-dealer's designated examining authority ("DEA"). The reports required under Rule 17a-5 are one of the primary means of ensuring compliance with the financial responsibility rules. A firm's failure to comply with these rules would severely impair the ability of the Commission and the firm's DEA to protect customers.

FOCUS Report data are used in preparation for broker-dealer examinations and inspections. The completed forms also are used to determine which firms are engaged in various securities-related activities, the extent to which they are engaged in those activities, and how economic events and government policies might affect various segments of the securities industry.

3. Consideration Given to Information Technology

The data required in the FOCUS Report are tailored to the complexity of the broker-dealer's business. The burden is therefore commensurate with the type of business in which the firm engages. Approximately 90% of FOCUS Reports are filed electronically. Annual reports are filed with the Commission in paper form, although Commission staff have issued no-action guidance permitting registrants to file annual reports electronically through the Commission's EDGAR system.

⁹ See 17 CFR 240.17a-5(c). Paragraph (c) of Rule 17a-5 is subject to a separate Paperwork Reduction Act filing (OMB Control Number 3235-0199).

¹⁰ See 17 CFR 240.17a-5(d).

¹¹ See 17 CFR 240.17a-5(h).

¹² See 17 CFR 240.17a-5(k); 17 CFR 240.15c3-1e.

¹³ See 17 CFR 240.17a-5(p); 17 CFR 240.17a-12.

4. Duplication

The Commission designed Rule 17a-5 to eliminate duplicative reporting requirements among the various securities regulatory agencies. Therefore, any duplication of the information requested is minimal.

5. Effect on Small Entities

As discussed above, a broker-dealer typically must file one of two alternative quarterly or monthly reports: (1) a comprehensive FOCUS Report Part II which must be filed by every broker-dealer that clears transactions or carries customer accounts and OTC derivatives dealers; or (2) a less detailed FOCUS Report Part IIA which must be filed by broker-dealers that do not clear transactions or carry customer accounts. The majority of small broker-dealers file FOCUS Report Part IIA because they do not clear transactions or carry customer accounts. Part IIA is shorter and is required to be filed less often than Part II. Out of the 482 broker-dealers that file Part II, the Commission does not believe any are small firms since they are clearing firms or carrying customer accounts. Even if small firms filed FOCUS Report Part II, it would be inappropriate to provide these small firms with an exemption from Rule 17a-5 because the FOCUS Report provides Commission and DEA staff with critical financial information from the firms responsible for the safekeeping and disposition of customer funds and securities.

6. Consequences of Not Conducting Collection

The required reports are used by securities regulators to monitor the financial and operational condition of broker-dealers. If the required reports were not made, the ability of the Commission and the DEAs to monitor the financial and operational condition of broker-dealers would be impaired, potentially affecting regulators' capability to protect customers. Further, if the required collections were conducted less frequently, the information in the reports would become outdated.

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 is provided to respondents.

10. Confidentiality

Reports filed pursuant to paragraph (a) of Rule 17a-5 are deemed to be confidential pursuant to paragraph (a)(3) of Rule 17a-5. Annual reports filed by broker-dealers under

paragraph (d) of Rule 17a-5 are not confidential, except that if the Statement of Financial Condition is bound separately from the balance of the annual reports, and each page of the balance of the annual reports is stamped “confidential,” then the balance of the annual reports shall be deemed confidential to the extent permitted by law.¹⁴ Broker-dealers are also required to furnish customers with their audited statement of financial condition and certain information about their annual reports on an annual basis.¹⁵ In addition, broker-dealers are required to furnish customers with unaudited financial statements dated six months from the date of the audited statements.¹⁶ With respect to the other information collected under the amendments, a broker-dealer can request the confidential treatment of the information.¹⁷ If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.¹⁸

Subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552, and the Commission’s rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission generally does not publish or make available information contained in 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 asked. The information collection collects basic Personally Identifiable Information (PII) that may include names, job titles and work addresses. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on 1/29/2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

12. Information Collection Burden

FOCUS Report for Broker-Dealers that Clear Transactions or Carry Customer Accounts: Broker-dealers that clear transactions or carry customer accounts and do not use ANC models to calculate net capital are required to file FOCUS Report Part II on a monthly basis.¹⁹ Commission staff estimates that each FOCUS Report Part II takes approximately 12 hours to prepare and file. This estimate is based on Commission staff’s history and experience reviewing these filings and communicating with broker-dealers regarding the reports. As of June

¹⁴ See paragraph (e)(3) of Rule 17a-5.

¹⁵ See paragraph (c)(2) of Rule 17a-5.

¹⁶ See paragraph (c)(3) of Rule 17a-5.

¹⁷ See 17 CFR 200.83. Information regarding requests for confidential treatment of information submitted to the Commission is available at <http://www.sec.gov/foia/howfo2.htm#privacy>.

¹⁸ See, e.g., 15 U.S.C. 78x (governing the public availability of information obtained by the Commission); 5 U.S.C. 552 *et seq.*

¹⁹ See 17 CFR 240.17a-5(a)(2)(ii).

30, 2016, approximately 482 firms cleared transactions or carried customer accounts and therefore filed FOCUS Report Part II. As a result, each respondent is estimated to have an annual burden of 144 hours,²⁰ resulting in an annual industry burden of 69,408 hours.²¹

FOCUS Report for Broker-Dealers that do not Clear Transactions or Carry Customer Accounts: Broker-dealers that do not clear transactions or carry customer accounts and do not use ANC models to calculate net capital are required to file FOCUS Report Part IIA on a quarterly basis.²² Commission staff estimates that each FOCUS Report Part IIA takes approximately 12 hours to prepare and file. As of June 30, 2016, approximately 3,576 firms filed FOCUS Report Part IIA. As a result, each respondent is estimated to have an annual reporting burden of 48 hours,²³ resulting in an annual industry burden of 171,648 hours.²⁴

ANC Supplemental Reports: As previously explained, paragraph (k) of Rule 17a-5 requires broker-dealers that compute certain capital charges in accordance with Appendix E to Exchange Act Rule 15c3-1²⁵ to file supplemental reports with the Commission regarding their internal risk management controls. The Commission currently estimates that approximately 10 broker-dealers will elect to use Appendix E to Rule 15c3-1 to compute certain of their capital charges.

ANC Supplemental Monthly Reports: The average amount of time necessary to prepare and file the required supplemental monthly reports by each firm is estimated to be 4 hours per month. As a result, each firm is estimated to have an annual reporting burden of 48 hours,²⁶ resulting in an annual industry burden of 480 hours.²⁷ This estimate is based on Commission staff's history and experience reviewing these filings and communicating with broker-dealers regarding the reports.

ANC Supplemental Quarterly Reports: The average amount of time necessary to prepare and file the required supplemental quarterly reports is estimated to be 8 hours per quarter. As a result, each firm is estimated to have an annual reporting burden of 32 hours,²⁸ resulting in an

²⁰ 12 hours x 12 responses per year = 144 hours per respondent.

²¹ 144 hours per respondent x 482 respondents = 69,408 hours per year.

²² See 17 CFR 240.17a-5(a)(2)(iii).

²³ 12 hours x 4 responses per year = 48 hours per respondent.

²⁴ 48 hours per respondent x 3,576 respondents = 171,648 hours per year.

²⁵ Generally, a broker-dealer meeting certain conditions, including the existence of strong internal risk management practices, may apply to the Commission for authorization to use the alternative method for computing capital contained in Appendix E to Rule 15c3-1, thereby permitting the firm to utilize the mathematical modeling methods it uses to manage its own business risk, including value-at-risk models and scenario analysis, to compute deductions from net capital for market risks and for credit risks arising from OTC derivatives transactions.

²⁶ 4 hours x 12 responses per year = 48 hours per respondent.

²⁷ 48 hours per respondent x 10 respondents = 480 hours per year.

²⁸ 8 hours x 4 responses per year = 32 hours per respondent.

annual industry burden of 320 hours.²⁹ This estimate is based on Commission staff's history and experience reviewing these filings and communicating with broker-dealers regarding the reports.

ANC Supplemental Annual Reports: The average amount of time necessary to prepare and file the required supplemental annual reports with the annual audit required is estimated to be 40 hours per year. As a result, each firm is estimated to have an annual reporting burden of 40 hours,³⁰ resulting in an annual industry burden of 400 hours.³¹ This estimate is based on Commission staff's history and experience reviewing these filings and communicating with broker-dealers regarding the reports.

Annual Reports: Paragraph (d) of Rule 17a-5 requires most broker-dealers to file annual reports, including financial statements and supporting schedules that generally must be audited by a PCAOB-registered independent public accountant in accordance with PCAOB standards.³² Approximately 3,932 broker-dealers filed annual audited financial statements for fiscal year 2015.³³ Each firm is estimated to have an annual reporting burden of 12 hours,³⁴ resulting in an annual industry burden of 47,184 hours.³⁵

A broker-dealer that does not claim it was exempt from Rule 15c3-3 throughout the most recent fiscal year must file a compliance report with the Commission on an annual basis.³⁶ As of June 30, 2016, there are approximately 224 carrying broker-dealers that must comply with Rule 15c3-3 and therefore must file an annual compliance report.³⁷ The Commission estimates that it takes approximately 60 hours to prepare the compliance report. As a result, each respondent is estimated to have an annual reporting burden of 60 hours,³⁸ resulting in an annual industry burden of 13,440 hours.³⁹

Exemption Report: A broker-dealer that claims it was exempt from Rule 15c3-3 throughout the most recent fiscal year must file an exemption report with the Commission on an annual basis.⁴⁰ As of June 30, 2016, 4,058 broker-dealers filed FOCUS Reports with the Commission. Of these, 3,834 broker-dealers claimed exemptions from Rule 15c3-3. The

²⁹ 32 hours per respondent x 10 respondents = 320 hours per year.

³⁰ 40 hours x 1 response per year = 40 hours per respondent.

³¹ 40 hours per respondent x 10 respondents = 400 hours per year.

³² See 17 CFR 240.17a-5(d).

³³ This filing includes Form X-17A-5 Schedule I and Form X-17A-5 Part III. The burden estimate also includes related filing responsibilities under paragraph (c) of Rule 17a-5.

³⁴ 12 hours x 1 response per year = 12 hours per respondent.

³⁵ 12 hours per respondent x 3,932 respondents = 47,184 hours per year.

³⁶ See 17 CFR 240.17a-5(d)(1)(i)(B)(I).

³⁷ 4,058 broker-dealers filing FOCUS Reports as of June 30, 2016 – 3,834 broker-dealers claiming Rule 15c3-3 exemptions = 224 compliance report filers.

³⁸ 60 hours x 1 response per year = 60 hours per respondent.

³⁹ 60 hours per respondent x 224 respondents = 13,440 hours per year.

⁴⁰ See 17 CFR 240.17a-5(d)(1)(i)(B)(I) and (2).

Commission estimates that it takes a broker-dealer claiming an exemption from Rule 15c3-3 approximately 7 hours to complete the exemption report. As a result, each respondent is estimated to have an annual reporting burden of 7 hours,⁴¹ resulting in an annual industry burden of 26,838 hours.⁴²

SIPC Annual Reports: Paragraph (d)(6) of Rule 17a-5 requires SIPC member broker-dealers to file a copy of the annual reports with SIPC.⁴³ According to SIPC's 2015 annual report, there were approximately 3,950 SIPC members. The Commission estimates that it takes a broker-dealer approximately 30 minutes to file the annual reports with SIPC. As a result, each firm is estimated to have an annual third-party disclosure burden of 30 minutes,⁴⁴ resulting in an annual industry burden of 1,975 hours.⁴⁵

Change of Fiscal Year End: Paragraph (d)(1)(ii) of Rule 17a-5 requires a copy of a DEA's written approval to change a broker-dealer's fiscal year end be sent to the Commission's principal office in Washington, D.C., in addition to the regional office of the Commission for the region in which the broker-dealer has its principal place of business. Based on the number of copies of approvals received by the Commission and staff experience in the application of Rule 17a-5, the Commission estimates 75 broker-dealers will receive approval each year to change their fiscal year end. The Commission estimates that it takes a broker-dealer approximately 10 minutes⁴⁶ to copy and send a copy of the approval to the Commission. As a result, each firm is estimated to have an annual reporting burden of about 0.167 hours,⁴⁷ resulting in an annual industry burden of about 12.5 hours.⁴⁸

SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms: Paragraph (e)(4) of Rule 17a-5 requires broker-dealers to file with SIPC a report on the SIPC annual general assessment reconciliation or exclusion from membership forms.⁴⁹ Commission staff estimates that it takes a broker-dealer approximately 5 hours to file SIPC's annual assessment reconciliation form or certification of exclusion from membership forms. There are approximately 4,058 broker-dealers, resulting in an estimated annual industry burden of about 20,290 hours.⁵⁰

Statement Regarding Independent Public Accountant: Paragraph (f)(2) of Rule 17a-5 requires broker-dealers to prepare a statement providing information regarding the broker-

⁴¹ 7 hours x 1 response per year = 7 hours per respondent.

⁴² 7 hours per respondent x 3,834 respondents = 26,838 hours per year.

⁴³ See 17 CFR 240.17a-5(d)(6).

⁴⁴ .5 hours x 1 response per year = .5 hours per respondent.

⁴⁵ .5 hours per respondent x 3,950 respondents = 1,975 hours per year.

⁴⁶ 10 minutes / 60 minutes = 0.1667 hours.

⁴⁷ 0.167 hours x 1 response per year = 0.167 hours per respondent.

⁴⁸ 0.167 hours per respondent x 75 respondents = 12.5 hours.

⁴⁹ See 17 CFR 240.17a-5(e)(4).

⁵⁰ 5 hours x 4,058 broker-dealers = 20,290 hours.

dealer's independent public accountant and to file it each year with the Commission and its DEA (except that if the engagement is of a continuing nature, no further filing is required).⁵¹

Carrying or Clearing Broker-Dealer: The Commission estimates that it takes a carrying or clearing broker-dealer approximately 10 hours to file the Statement Regarding Independent Public Accountant with the Commission. As a result, each carrying or clearing broker-dealer is estimated to have an annual burden of 10 hours.⁵² The Commission estimates there are 60 carrying or clearing broker-dealers required to file the Statement Regarding Independent Public Accountant each year, resulting in an annual industry burden of 600 hours.⁵³

Broker-Dealers that Neither Carry nor Clear Transactions: The Commission estimates that it takes a broker-dealer that neither carries customer accounts nor clears transactions approximately 2 hours to file the Statement Regarding Independent Public Accountant with the Commission. As a result, each broker-dealer that neither carries nor clears transactions is estimated to have an annual burden of 2 hours.⁵⁴ The Commission estimates there are 440 broker-dealers that neither carry nor clear transactions required to file the Statement Regarding Independent Public Accountant each year, resulting in an annual industry burden of 880 hours.⁵⁵

Statement Regarding Change of Independent Public Accountant: Paragraph (f)(3) of Rule 17a-5 requires a broker-dealer to file a notice with the Commission if it replaces the independent public accountant engaged to prepare reports covering the annual reports.⁵⁶ The estimated one-time burden associated with this requirement is approximately 2 hours, or about 0.67 hours on an annualized basis.⁵⁷ The Commission estimates that approximately 50 of these notices are filed per year, resulting in an annual industry burden of 100 hours,⁵⁸ or about 33.33 hours on an annualized basis.⁵⁹

Total Industry Hour Burden: Thus, the Commission estimates that the total annual industry hour burden attributable to Rule 17a-5 is 353,509 hours per year.⁶⁰

⁵¹ See 17 CFR 240.17a-5(f)(2).

⁵² 10 hours per response x 1 response per year = 10 hours per respondent.

⁵³ 10 hours per respondent x 60 respondents = 600 hours per year.

⁵⁴ 2 hours per response x 1 response per year = 2 hours per respondent.

⁵⁵ 2 hours per respondent x 440 respondents = 880 hours per year.

⁵⁶ See 17 CFR 240.17a-5(f)(3).

⁵⁷ 2 hours / 3 years = 0.67 hours per respondent.

⁵⁸ 2 hours per respondent x 50 respondents = 100 hours per year.

⁵⁹ 100 hours / 3 years = 33.33 hours per year.

⁶⁰ 69,408 hours + 171,648 hours + 480 hours + 320 hours + 400 hours + 47,184 hour + 13,440 hours + 26,838 hours + 1,975 hours + 12.5 hours +20,290 hours + 600 hours + 880 hours + 33.33 hours = 353,058.83 hours.

Summary of Hourly Burdens											
Name of Information Collection	Type of Burden	A. Number of Entities Impacted	B. Annual Responses per Entity	C. Initial Burden per Entity per Response	D. Initial Burden Annualized per Entity per Response	E. Ongoing Burden per Entity per Response	F. Annual Burden Per Entity per Response	G. Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected	Percentage of Electronic Submission
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]		
FOCUS Report Part II: Non-Model Clearing Broker-Dealers	Reporting	482	12	0.00	0.00	12.00	12.00	144.00	69,408.00	0	90%
FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers	Reporting	3,576	4	0.00	0.00	12.00	12.00	48.00	171,648.00	1,235	90%
ANC Supplemental Monthly Reports	Reporting	10	12	0.00	0.00	4.00	4.00	48.00	480.00	0	100%
ANC Supplemental Quarterly Reports	Reporting	10	4	0.00	0.00	8.00	8.00	32.00	320.00	0	100%
ANC Supplemental Annual Reports	Reporting	10	1	0.00	0.00	40.00	40.00	40.00	400.00	0	100%
Annual Reports	Reporting	3,932	1	0.00	0.00	12.00	12.00	12.00	47,184.00	1,235	10%
Compliance Report	Reporting	224	1	0.00	0.00	60.00	60.00	60.00	13,440.00	0	95%
Exemption Report	Reporting	3,834	1	0.00	0.00	7.00	7.00	7.00	26,838.00	1,235	95%
SIPC Annual Reports	Third-Party Disclosure	3,950	1	0.00	0.00	0.50	0.50	0.50	1,975.00	1,185	10%
Change of Fiscal Year End	Reporting	75	1	0.00	0.00	0.17	0.17	0.17	12.50	23	0%
Annual General Assessment Reconciliation or Exclusion from Membership Forms	Third-Party Disclosure	4,058	1	0.00	0.00	5.00	5.00	5.00	20,290.00	1,235	10%
Statement Regarding Independent Public Accountant - Carrying or Clearing Broker-Dealer	Reporting	60	1	0.00	0.00	10.00	10.00	10.00	600.00	0	0%
Statement Regarding Independent Public Accountant - Non-Carrying or Non-Clearing Broker-Dealer	Reporting	440	1	0.00	0.00	2.00	2.00	2.00	880.00	155	0%
Statement Regarding Change in Independent Public Accountant	Reporting	50	1	2.00	0.67	0.00	0.67	0.67	33.33	30	0%
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									353,508.83		

13. Costs to Respondents

The Commission estimates that Rule 17a-5 causes a broker-dealer to incur no initial dollar cost, but causes an annual dollar cost to meet the reporting requirements. Those requirements that are expected to impose an annual cost to the industry are discussed below.

ANC Supplemental Reports: Paragraph (k) of Rule 17a-5, imposes monthly, quarterly, and annual reporting requirements on ANC broker-dealers. The Commission estimates that postage costs to comply with paragraph (k) of Rule 17a-5, impose an annual cost of \$7.99 per

ANC broker-dealer.⁶¹ The Commission estimates that 10 firms will elect to be ANC broker-dealers, such that the estimated cost burden on the industry is \$80 per year.⁶²

Annual Reports: The Commission estimates that postage costs to comply with paragraph (d) of Rule 17a-5, impose on broker-dealers an annual dollar cost of \$6.45 per firm.⁶³ The Commission estimates that there are 3,932 respondents, resulting in an estimated industry-wide cost of \$25,361 per year.⁶⁴

Compliance Report: A broker-dealer that does not claim it was exempt from Rule 15c3-3 throughout the most recent fiscal year must file a compliance report with the Commission on an annual basis.⁶⁵ As of June 30, 2016, there are approximately 224 carrying broker-dealers that must comply with Rule 15c3-3 and therefore must file an annual compliance report.⁶⁶ The estimated cost associated with the independent public accountant's examination of the compliance report will be an average incremental cost of approximately \$150,000 per carrying broker-dealer per year. This result in an industry-wide annual ongoing reporting cost of approximately \$33,600,000 per year.⁶⁷

Exemption Report: A broker-dealer that claims it was exempt from Rule 15c3-3 throughout the most recent fiscal year must file an exemption report with the Commission on an annual basis.⁶⁸ As of June 30, 2016, 4,058 broker-dealers filed FOCUS Reports with the Commission. Of these, 3,834 broker-dealers claimed exemptions from Rule 15c3-3. The cost associated with the independent public accountant's review of the exemption report is estimated to create an ongoing cost of \$3,000 per non-carrying broker-dealer per year, for a total industry-wide annual reporting cost of approximately \$11,502,000.⁶⁹

SIPC Annual Reports: The Commission estimates that postage costs to comply with paragraph (d)(6) of Rule 17a-5, impose an annual dollar cost of 47 cents per firm registered with SIPC as a SIPC member broker-dealer. The Commission estimates that each year, 3,950 firms will file a copy of the annual reports with SIPC, such that the estimated cost burden on the industry is \$1,857 per year.⁷⁰

⁶¹ $(\$0.47 \text{ per filing} \times 12 \text{ monthly reports}) + (\$0.47 \text{ per filing} \times 4 \text{ quarterly reports}) + (\$0.47 \text{ per filing} \times 1 \text{ annual report}) = \7.99 per year.

⁶² $\$7.99 \text{ per year} \times 10 \text{ ANC broker-dealers} = \79.90 per year.

⁶³ As of December 2016, a priority mail flat rate envelope costs \$6.45, based on costs obtained on the U.S. Postal Service website, available at www.usps.gov.

⁶⁴ $\$6.45 \text{ per firm} \times 3,932 \text{ broker-dealers} = \$25,361.40 \text{ per year.}$

⁶⁵ See 17 CFR 240.17a-5(d)(1)(i)(B)(1).

⁶⁶ 4,058 broker-dealers filing FOCUS Reports as of June 30, 2016 – 3,834 broker-dealers claiming Rule 15c3-3 exemptions = 224 compliance report filers.

⁶⁷ $\$150,000 \text{ per year} \times 224 \text{ carrying broker-dealers} = \$33,600,000.$

⁶⁸ See 17 CFR 240.17a-5(d)(1)(i)(B)(2).

⁶⁹ $\$3,000 \text{ per year} \times 3,834 \text{ non-carrying broker-dealers} = \$11,502,000.$

⁷⁰ $\$0.47 \text{ per year} \times 3,950 \text{ SIPC member broker-dealers} = \$1,856.50 \text{ per year.}$

Notice of Change of Fiscal Year End: The Commission estimates that postage costs to comply with paragraph (d)(1)(ii) of Rule 17a-5, impose an annual dollar cost of 47 cents per firm planning to change its fiscal year. The Commission estimates that each year, 75 firms will change its fiscal year, such that the estimated cost burden on the industry is \$35.25 per year.⁷¹

SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms: The Commission estimates that postage costs to comply with paragraph (e)(4) of Rule 17a-5, impose an annual dollar cost of 47 cents per firm. The Commission estimates that each year, 4,058 firms will file with SIPC a report on the SIPC annual general assessment reconciliation or exclusion from membership forms, such that the estimated cost burden on the industry is \$1,907 per year.⁷²

Statement Regarding Independent Public Accountant: The Commission estimates that postage costs to comply with paragraphs (f)(2) and (f)(3) of Rule 17a-5, impose an annual dollar cost of 47 cents per firm. The Commission estimates that there are 500 respondents, resulting in an industry-wide cost of \$235 per year.⁷³

Total Industry Costs Burden: Therefore, the total industry-wide dollar cost burden associated with Rule 17a-5 is estimated to be \$45,131,475.⁷⁴

⁷¹ \$0.47 per year x 75 broker-dealers = \$35.25 per year.

⁷² \$0.47 per year x 4,058 broker-dealers = \$1,907.26 per year.

⁷³ \$0.47 per firm x 4,058 broker-dealers = \$1,907.26 per year.

⁷⁴ \$79.90 + \$25,361.40 + \$33,600,000 + \$11,502,000 + \$1,856.50 + \$35.25 + \$1,907.26 + \$235 = \$45,131,475.31.

Summary of Dollar Costs										
Name of Information Collection	Type of Burden	A. Number of Entities Impacted	B. Annual Responses per Entity	C. Initial Cost per Entity per Response	D. Initial Cost Annualized per Entity per Response	E. Ongoing Cost per Entity per Response	F. Annual Cost Per Entity per Response	G. Total Annual Cost Per Entity	Total Industry Cost	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	
ANC Supplemental Monthly Reports	Reporting	10	12	\$0	\$0	\$0.47	\$0.47	\$5.64	\$56.40	0
ANC Supplemental Quarterly Reports	Reporting	10	4	\$0	\$0	\$0.47	\$0.47	\$1.88	\$18.80	0
ANC Supplemental Annual Reports	Reporting	10	1	\$0	\$0	\$0.47	\$0.47	\$0.47	\$4.70	0
Annual Report	Reporting	3,932	1	\$0	\$0	\$6.45	\$6.45	\$6.45	\$25,361.40	1,235
Rule 17a-5(d)(3): Compliance Report	Reporting	224	1	\$0	\$0	\$150,000.00	\$150,000.00	\$150,000.00	\$33,600,000.00	0
Rule 17a-5(d)(4): Exemption Report	Reporting	3,834	1	\$0	\$0	\$3,000.00	\$3,000.00	\$3,000.00	\$11,502,000.00	1,235
SIPC Annual Report	Third-Party Disclosure	3,950	1	\$0	\$0	\$0.47	\$0.47	\$0.47	\$1,856.50	1,235
Notice of Change in Fiscal Year	Reporting	75	1	\$0	\$0	\$0.47	\$0.47	\$0.47	\$35.25	23
SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms	Third-Party Disclosure	4,058	1	\$0	\$0	\$0.47	\$0.47	\$0.47	\$1,907.26	1,235
Statement Regarding Independent Public Accountant	Reporting	500	1	\$0	\$0	\$0.47	\$0.47	\$0.47	\$235.00	155
TOTAL COST FOR ALL RESPONDENTS									\$45,131,475.31	

14. Costs to Federal Government

Rule 17a-5, is not expected to result in costs to the federal government due to contracting, information technology, development, hiring one or more new employees, or reallocating existing employees.

15. Changes in Burden

The annual ongoing hour burden and cost decreased overall as a result of an adjustment in Commission staff's estimates.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates. The OMB control number will be displayed.

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.