

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act -Information Collection Submission for**  
**Rule 17Ab2-1 and Form CA-1**

**A. JUSTIFICATION**

**1. Information Collection Necessity**

As a result of the paperwork crisis that occurred in the late 1960s, during which the number of securities transactions exceeded the securities industry's capacity to process those transactions, Congress enacted the Securities Acts Amendments of 1975,<sup>1</sup> which amended the Securities Exchange Act of 1934 ("Exchange Act") in order to establish a national system for the prompt and accurate clearance and settlement of securities transactions.

As part of those amendments, Congress authorized and directed the Securities and Exchange Commission (the "Commission") to oversee clearing agencies, which play a central role in the development and functioning of the national clearance and settlement system. As part of this new directive, Section 17A(b)(1) of the Exchange Act requires any clearing agency operating in interstate commerce to register with the Commission, and Section 17A(b)(2) of the Exchange Act authorizes the Commission to promulgate rules to establish the process for clearing agencies to submit their registration application for consideration by the Commission that would include an applicant's rules and any other information that the Commission deems necessary or appropriate. Section 17A(b)(3) of the Exchange Act prohibits the Commission from registering a clearing agency unless the clearing agency meets certain standards specified in that section including the ability to safeguard securities and the ability to enforce the clearing agency's rules.

To implement Section 17A(b) of the Exchange Act, the Commission adopted Rule 17Ab2-1 and Form CA-1 on November 3, 1975. The rule provides that Form CA-1 must be submitted to the Commission by any entity applying to be a registered clearing agency. Furthermore, Rule 17Ab2-1 provides for temporary and permanent exemptions from registration, and temporary exemption from the standards for registration enumerated in Section 17A(b)(3) of the Exchange Act. In addition, the rule requires that certain portions of Form CA-1 be kept up-to-date if they have become inaccurate, misleading, or incomplete.

The Commission adopted Rule 17Ab2-1 and Form CA-1 pursuant to authority found in Sections 2, 17, 17A, 19, and 23(a) of the Exchange Act (15 U.S.C. Sections 78b, 78q, 78q-1, 78s, and 78w, respectively).

**2. Information Collection Purpose and Use**

The Commission uses the information disclosed on Form CA-1 to (a) determine whether an applicant meets the standards for registration set forth in the Exchange Act, (b) enforce

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<sup>1</sup> Pub. L. No. 94-29, 89 Stat. 97 (June 4, 1975).

compliance with the Exchange Act's registration requirements, and (c) provide information about specific registered clearing agencies for compliance and investigatory purposes. Without Rule 17Ab2-1, the Commission could not perform these duties as statutorily required.

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

Form CA-1 is officially submitted to the Commission as a paper (hardcopy) document. The Commission will consider the feasibility of someday permitting applicants to file Form CA-1 through the Commission's EDGAR system. Nonetheless, applicants utilize various computer information systems to compile information sought by Form CA-1 such as financial statements and account statements.

### **4. Duplication**

There is no duplication of the information that the Commission obtains through Form CA-1.

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

Clearing agencies are generally sophisticated entities that are owned by their participants, namely banks and broker-dealers. Therefore, no information is requested from small businesses.

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

The information collected by Form CA-1 is generally a one-time activity unless certain information previously submitted becomes inaccurate, misleading, or incomplete. In such case, the clearing agency would be required to update the form as soon as practicable by submitting an amended form to the Commission.

### **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 1320.8(d).

### **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 payments or gifts have been or will be made to respondents.

### **10. Confidentiality**

Form CA-1 does not generally require applicants to reveal confidential information.

Furthermore, the Commission generally makes completed Forms CA-1 available for public review or comment. However, some applicants request that some material that is especially sensitive for competitive reasons submitted on Form CA-1 be given confidential treatment (and therefore not revealed to the public) by the Commission.

## **11. Sensitive Questions**

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (“PII”) that may include name, telephone number, work address, occupation, and job title. 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”) in connection with this collection of information. The SRO Rule Tracking System/Electronic Form Filing System (“SRTS/EFFS”) PIA published on September 30, 2013, will cover this collection of information and is also available at <https://www.sec.gov/privacy>.

## **12. Information Collection Burden**

The Commission receives approximately one Form CA-1 per year pursuant to Rule 17Ab2-1. The Commission staff estimates that the average Form CA-1 requires approximately 130 hours to complete and submit for approval. This burden is composed primarily of a one-time reporting burden that reflects the applicant’s staff time (i.e. internal labor costs) to prepare and submit the Form to the Commission. This estimate includes the burden associated with filing amendments to Form CA-1, which is required when certain information contained in an applicant’s or registrant’s Form CA-1 becomes inaccurate, misleading, or incomplete. (The time burden related to preparing and submitting an amendment widely varies depending on the nature of the information that needs to be updated.) Since the Commission only receives an average of one submission per year and rarely receives amendments, the aggregate annual burden associated with compliance with Rule 17Ab2-1 and Form CA-1 is 130 hours.

While not a cost burden under Item 13, the Commission staff estimates that compliance staff work at applicant or registrant clearing agencies to comply with Rule 17Ab2-1 and complete Form CA-1 will result in an internal cost of compliance, at an estimated hourly wage of \$283, of \$36,790 per year per clearing agency (130 hours x \$283 per hour = \$36,790 per year).<sup>1</sup> Therefore, the aggregate annual internal cost of compliance for the approximately one clearing agency each year to comply with Rule 17Ab2-1 is also \$36,790.

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<sup>1</sup> The estimated hourly wages used in this analysis were derived from reports prepared by the Securities Industry and Financial Markets Association. See Securities Industry and Financial Markets Association, Office Salaries in the Securities Industry – 2013 (2013), modified to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

**13. Cost to Respondents**

As noted in Question 12, the Commission receives approximately one Form CA-1 filing per year. The main cost to respondents is associated with generating, maintaining, and providing the information sought by Form CA-1. The external costs associated with such activities include fees charged by outside lawyers and accountants to assist the registrant collect and prepare the information sought by the form (though such consultations are not required by the Commission) and are estimated to be approximately \$19,029.

**14. Costs to Federal Government**

The annualized cost to the Federal Government is zero because the rule only requires normal full-time employees to review the materials.

**15. Changes in Burden**

There are no changes in the burden.

**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**

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.