

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-19: Form X-17A-19 Report by National Securities Exchanges and Registered
National Securities Associations of Changes in the Membership Status of Any of Their
Members

A. JUSTIFICATION

1. Information Collection Necessity

Generally, before commencing business activities, a broker-dealer must become a member of a self-regulatory organization (“SRO”).¹ SROs assist the Securities and Exchange Commission (“Commission”) in regulating the activities of broker-dealers.² In a 1974 study, the Commission recommended that each broker-dealer be examined by and report to only one SRO regarding financial responsibility and related recordkeeping. However, the study concluded that, for this system to be successful, the Commission would have to receive prompt notification of any change in the broker-dealer’s membership in an SRO. Consequently, the Commission adopted Rule 17a-19³ and Form X-17A-19⁴ pursuant to the Securities Exchange Act of 1934⁵ (“Exchange Act”) to require and facilitate the reporting of this information.

Rule 17a-19 requires every national securities exchange and registered national securities association to file a Form X-17A-19 with the Commission and the Securities Investor Protection Corporation (“SIPC”) within 5 business days of the initiation, suspension, or termination of any member and, when terminating the membership interest of any member, to notify that member of its obligation to file financial reports as required by Exchange Act Rule 17a-5(b).⁶

2. Information Collection Purpose and Use

Upon the Commission’s receipt of a Form X-17A-19 filing, the information is inputted into a database, which is regularly shared with the SROs. Commission staff use the information contained in Form X-17A-19 to assign the appropriate SRO as designated examining authority for the member firms. This information is also used by SIPC in determining which SRO is the collection agent for the SIPC fund.

¹ 15 U.S.C. 78o(b)(8).

² The Financial Industry Regulatory Authority, Inc. (“FINRA”), a registered national securities association, and the national securities exchanges are all SROs.

³ 17 CFR 240.17a-19.

⁴ 17 CFR 249.635.

⁵ 15 U.S.C. 78a et seq.

⁶ 17 CFR 240.17a-5(b).

3. Consideration Given to Information Technology

While both the Commission and the SROs continue to improve their systems for information gathering and compilation through increased use of technology, the burden associated with filing each Form X-17A-19 is negligible. Therefore, improved information technology will have little effect in reducing the burden.

4. Duplication

Rule 17a-19 is the only rule that requires the submission of this information, therefore, no duplication exists.

5. Effect on Small Entities

The required reports are not extensive; consequently the collection of information is not unduly burdensome for small entities.

6. Consequences of Not Conducting Collection

If this information is not collected, the process of assigning the appropriate SRO as designated examining authority for broker-dealers would be more burdensome.

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

There are no payments or gifts.

10. Confidentiality

No assurance of confidentiality is provided by Rule 17a-19.

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) only to the extent that a Broker Dealer that is the subject of the form may be a Sole Proprietor. The form would collect name and business address. The agency

has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) are not required in connection with the collection of information. The information collection is collected and maintained in paper.

12. Information Collection Burden

This reporting burden occurs on an ongoing basis. The information requested by Form X-17A-19 is obtained from the respondent’s membership files. The number of responses per year per respondent varies, depending on the number of membership changes reported. Commission staff estimates that the total annual number of Form X-17A-19 filings is approximately 800. The Commission staff estimates that, in its experience, Form X-17A-19 can be completed and signed within 15 minutes, resulting in an aggregate annual reporting burden of 200 hours.⁷

13. Costs to Respondents

The Commission believes that there are no additional reporting costs associated with the rule, other than the costs described in Item 12 above.

14. Costs to Federal Government

There are no additional costs to the Federal Government.

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 employ statistical methods.

⁷ 800 responses x .25 minutes = 200 hours.