

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for Rule 17a-5
OMB Control No. 3235-0123

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-5⁵ is a reporting rule for broker-dealers.⁶ Paragraph (a) of Rule 17a-5 requires broker-dealers to file Form X-17A-5,⁷ 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;⁸ (2) one of two alternative monthly or quarterly reports (a comprehensive

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 On September 19, 2019, the Commission adopted amendments to its recordkeeping and reporting rules for broker-dealers, as well as new recordkeeping and reporting rules for security-based swap dealers and major security-based swap participants. See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rule*, Exchange Act Release No 34-87005. (Sep. 19, 2019), 84 FR (Dec. 16, 2019). This Supporting Statement discusses only the collections of information that were part of the collections of information that were in existence prior to the rulemaking referenced above. The burdens associated with the above referenced rulemaking will be discussed in a separate Supporting Statement associated specifically with that rulemaking.

⁷ See 17 CFR 249.17a-5(a).

⁸ In practice, broker-dealers are no longer required to file Part I of the FOCUS Report. See 17 CFR 240.17a-5(a)(4).

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);⁹ and (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.¹⁰ 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.¹¹ Paragraph (h) of Rule 17a-5 contains notification requirements related to certain findings made during the course of the independent accountant’s audit.¹² 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 15c3-1.¹³ Paragraph (p) of Rule 17a-5 provides that OTC derivatives dealers may comply with Rule 17a-5 by complying with Exchange Act Rule 17a-12.¹⁴

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.

⁹ 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.

¹⁰ 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).

¹¹ See 17 CFR 240.17a-5(d).

¹² See 17 CFR 240.17a-5(h).

¹³ See 17 CFR 240.17a-5(k); 17 CFR 240.15c3-1e.

¹⁴ See 17 CFR 240.17a-5(p); 17 CFR 240.17a-12.

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.

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 460 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.¹⁵ 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.¹⁶ In addition, broker-dealers are required to furnish customers with unaudited financial statements dated six months from the date of the audited statements.¹⁷ With respect to the other information collected under the amendments, a broker-dealer can request the confidential treatment of the information.¹⁸ If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.¹⁹

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

The information collection collects Personally Identifiable Information (“PII”) of certain individuals. 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 February 5, 2020, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>. The agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act as the information is not retrieved by a personal identifier.

¹⁵ See paragraph (e)(3) of Rule 17a-5.

¹⁶ See paragraph (c)(2) of Rule 17a-5.

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

¹⁸ 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>.

¹⁹ 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.*

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.²⁰ 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 December 31, 2019, approximately 460 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,²¹ resulting in an annual industry burden of 66,240 hours.²²

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.²³ Commission staff estimates that each FOCUS Report Part IIA takes approximately 12 hours to prepare and file. As of December 31, 2019, approximately 3,215 firms filed FOCUS Report Part IIA. As a result, each respondent is estimated to have an annual reporting burden of 48 hours,²⁴ resulting in an annual industry burden of 154,320 hours.²⁵

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 15c3-1²⁶ 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,²⁷

²⁰ See 17 CFR 240.17a-5(a)(2)(ii).

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

²² 144 hours per respondent x 460 respondents = 66,240 hours per year.

²³ See 17 CFR 240.17a-5(a)(2)(iii).

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

²⁵ 48 hours per respondent x 3,215 respondents = 154,320 hours per year.

²⁶ 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.

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

resulting in an annual industry burden of 480 hours.²⁸ 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,²⁹ resulting in an annual industry burden of 320 hours.³⁰ 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,³¹ resulting in an annual industry burden of 400 hours.³² 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.³³ Approximately 3,679 broker-dealers filed annual audited financial statements for fiscal year 2019.³⁴ Each firm is estimated to have an annual reporting burden of 12 hours,³⁵ resulting in an annual industry burden of 44,148 hours.³⁶

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.³⁷ As of June 30, 2016, there are approximately 175 carrying broker-dealers that must comply with Rule 15c3-3 and therefore must file an annual compliance report. The Commission estimates that it takes approximately 60 hours to prepare the compliance report. As a result, each respondent is

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

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

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

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

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

³³ See 17 CFR 240.17a-5(d).

³⁴ 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.

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

³⁶ 12 hours per respondent x 3,679 respondents = 44,148 hours per year.

³⁷ See 17 CFR 240.17a-5(d)(1)(i)(B)(I).

estimated to have an annual reporting burden of 60 hours,³⁸ resulting in an annual industry burden of 10,500 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 December 31, 2019, 3,689 broker-dealers filed FOCUS Reports with the Commission. Of these, 3,001 broker-dealers claimed exemptions from Rule 15c3-3. The 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 21,007.⁴²

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 2018 annual report, there were approximately 3,621 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 1,810.5 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

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

³⁹ 60 hours per respondent x 175 respondents = 10,500 hours per year.

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

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

⁴² 7 hours per respondent x 3,001 respondents = 21,007 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 3,621 respondents = 1,810.5 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.

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 3,689 broker-dealers, resulting in an estimated annual industry burden of about 18,445 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-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 460 carrying or clearing broker-dealers required to file the Statement Regarding Independent Public Accountant each year, resulting in an annual industry burden of 4,600 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 3,215 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 6,430 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

⁴⁹ See 17 CFR 240.17a-5(e)(4).

⁵⁰ 5 hours x 3,689 broker-dealers = 18,445 hours.

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.

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 328,746 hours per year.⁶⁰

| Summary of Hourly Burdens | | | | | | | | | | | |
|--|--|------------------------|-----------------------------------|-----------------------------------|--|---|--|---|--------------------------------------|-----------------------|----------------------------------|
| IC | 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 |
| | | | | | | [C ÷ 3 years] | | [D + E] | [F * B] | [G * A] | |
| 1 | FOCUS Report Part II: Non-Model Clearing Broker-Dealers | Reporting | 460 | 12 | 0.00 | 0.00 | 12.00 | 12.00 | 144.00 | 66,240.00 | 0 |
| 2 | FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers | Reporting | 3,215 | 4 | 0.00 | 0.00 | 12.00 | 12.00 | 48.00 | 154,320.00 | 895 |
| 3 | ANC Supplemental Monthly Reports | Reporting | 10 | 12 | 0.00 | 0.00 | 4.00 | 4.00 | 48.00 | 480.00 | 0 |
| 4 | ANC Supplemental Quarterly Reports | Reporting | 10 | 4 | 0.00 | 0.00 | 8.00 | 8.00 | 32.00 | 320.00 | 0 |
| 5 | ANC Supplemental Annual Reports | Reporting | 10 | 1 | 0.00 | 0.00 | 40.00 | 40.00 | 40.00 | 400.00 | 0 |
| 6 | Annual Reports | Reporting | 3,679 | 1 | 0.00 | 0.00 | 12.00 | 12.00 | 12.00 | 44,148.00 | 895 |
| 7 | Compliance Report | Reporting | 175 | 1 | 0.00 | 0.00 | 60.00 | 60.00 | 60.00 | 10,500.00 | 0 |
| 8 | Exemption Report | Reporting | 3,001 | 1 | 0.00 | 0.00 | 7.00 | 7.00 | 7.00 | 21,007.00 | 895 |
| 9 | SIPC Annual Reports | Third-Party Disclosure | 3,621 | 1 | 0.00 | 0.00 | 0.50 | 0.50 | 0.50 | 1,810.5 | 895 |
| 10 | Change of Fiscal Year End | Reporting | 75 | 1 | 0.00 | 0.00 | 0.17 | 0.17 | 0.17 | 12.50 | 23 |
| 11 | Annual General Assessment Reconciliation or Exclusion from Membership Forms | Third-Party Disclosure | 3,689 | 1 | 0.00 | 0.00 | 5.00 | 5.00 | 5.00 | 18,445.00 | 895 |
| 12 | Statement Regarding Independent Public Accountant - Carrying or Clearing Broker-Dealer | Reporting | 460 | 1 | 0.00 | 0.00 | 10.00 | 10.00 | 10.00 | 4600.00 | 0 |
| 13 | Statement Regarding Independent Public Accountant - Non-Carrying or Non-Clearing Broker-Dealer | Reporting | 3,215 | 1 | 0.00 | 0.00 | 2.00 | 2.00 | 2.00 | 6,430.00 | 112 |
| 14 | Statement Regarding Change in Independent Public Accountant | Reporting | 50 | 1 | 2.00 | 0.67 | 0.00 | 0.67 | 0.67 | 33.33 | 30 |
| TOTAL HOURLY BURDEN FOR ALL RESPONDENTS | | | | | | | | | | 328,746.33 | |

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

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

⁶⁰ 66,240 hours + 154,320 hours + 480 hours + 320 hours + 400 hours + 44,148 hour + 10,500 hours + 21,007 hours + 1,810.5 hours + 12.5 hours + 18,445 hours + 4600 hours + 6,430 hours + 33.33 hours = 328,746.33 hours.

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 \$8.50 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 \$85 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 \$7.75 per firm.⁶³ The Commission estimates that there are 3,679 respondents, resulting in an estimated industry-wide cost of approximately \$28,512 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 175 carrying broker-dealers that must comply with Rule 15c3-3 and therefore must file an annual compliance report. 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 \$26,250,000 per year.⁶⁶

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.⁶⁷ As of December 31, 2019, 3,689 broker-dealers filed FOCUS Reports with the Commission. Of these, 3,001 broker-dealers claimed exemptions from Rule 15c3-3. The cost associated with the independent public accountant's review of the exemption report is estimated

⁶¹ $(\$0.50 \text{ per filing} \times 12 \text{ monthly reports}) + (\$0.50 \text{ per filing} \times 4 \text{ quarterly reports}) + (\$0.50 \text{ per filing} \times 1 \text{ annual report}) = \8.50 per year.

⁶² $\$8.50 \text{ per year} \times 10 \text{ ANC broker-dealers} = \85 per year.

⁶³ Currently, a priority mail flat rate envelope costs \$7.75, based on costs obtained on the U.S. Postal Service website, available at www.usps.gov.

⁶⁴ $\$7.75 \text{ per firm} \times 3,679 \text{ broker-dealers} = \$28,512.25 \text{ per year.}$

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

⁶⁶ $\$150,000 \text{ per year} \times 175 \text{ carrying broker-dealers} = \$26,250,000.$

⁶⁷ See 17 CFR 240.17a-5(d)(1)(i)(B)(2).

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 \$9,003,000.⁶⁸

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 50 cents per firm registered with SIPC as a SIPC member broker-dealer. The Commission estimates that each year, 3,621 firms will file a copy of the annual reports with SIPC, such that the estimated cost burden on the industry is \$1,810.50 per year.⁶⁹

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 50 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 \$37.50 per year.⁷⁰

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 50 cents per firm. The Commission estimates that each year, 3,689 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 \$1,844.50 per year.⁷¹

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 50 cents per firm. The Commission estimates that there are 3,675 respondents, resulting in an industry-wide cost of \$1837.50 per year.⁷²

Total Industry Costs Burden: Therefore, the total industry-wide dollar cost burden associated with Rule 17a-5 is estimated to be \$35,287,127.25.⁷³

⁶⁸ \$3,000 per year x 3,001 non-carrying broker-dealers = \$9,003,000.

⁶⁹ \$0.50 per year x 3,621 SIPC member broker-dealers = \$1,810.50 per year.

⁷⁰ \$0.50 per year x 75 broker-dealers = \$37.50 per year.

⁷¹ \$0.50 per year x 3,689 broker-dealers = \$1,844.50 per year.

⁷² \$0.50 per firm x 3,675 broker-dealers = \$1,837.50 per year.

⁷³ \$85 + \$28,512.25 + \$26,250,000 + \$9,003,000 + \$1,810.50 + \$37.50 + \$1,844.50 + \$1,837.50 = \$35,287,127.25.

| Summary of Dollar Costs | | | | | | | | | | | |
|---------------------------------------|---|------------------------|-----------------------------------|-----------------------------------|--|---|--|---|------------------------------------|---------------------|----------------------------------|
| IC | 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] | |
| 3 | ANC Supplemental Monthly Reports | Reporting | 10 | 12 | \$0 | \$0 | \$0.50 | \$0.50 | \$6.00 | \$60.00 | 0 |
| 4 | ANC Supplemental Quarterly Reports | Reporting | 10 | 4 | \$0 | \$0 | \$0.50 | \$0.50 | \$2.00 | \$20.00 | 0 |
| 5 | ANC Supplemental Annual Reports | Reporting | 10 | 1 | \$0 | \$0 | \$0.50 | \$0.50 | \$0.50 | \$5 | 0 |
| 6 | Annual Report | Reporting | 3,689 | 1 | \$0 | \$0 | \$7.75 | \$7.75 | \$7.75 | \$28,512.25 | 895 |
| 7 | Rule 17a-5(d)(3): Compliance Report | Reporting | 175 | 1 | \$0 | \$0 | \$150,000.00 | \$150,000.00 | \$150,000.00 | \$26,250,000 | 0 |
| 8 | Rule 17a-5(d)(4): Exemption Report | Reporting | 3,001 | 1 | \$0 | \$0 | \$3,000.00 | \$3,000.00 | \$3,000.00 | \$9,003,000 | 895 |
| 9 | SIPC Annual Report | Third-Party Disclosure | 3,621 | 1 | \$0 | \$0 | \$0.50 | \$0.50 | \$0.50 | \$1,810.50 | 895 |
| 10 | Notice of Change in Fiscal Year | Reporting | 75 | 1 | \$0 | \$0 | \$0.50 | \$0.50 | \$0.50 | \$37.50 | 23 |
| 11 | SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms | Third-Party Disclosure | 3,689 | 1 | \$0 | \$0 | \$0.50 | \$0.50 | \$0.50 | \$1,844.50 | 895 |
| 12 & 13 | Statement Regarding Independent Public Accountant | Reporting | 3,675 | 1 | \$0 | \$0 | \$0.50 | \$0.50 | \$0.50 | \$1,837.5 | 155 |
| TOTAL COST FOR ALL RESPONDENTS | | | | | | | | | | \$35,287,127.25 | |

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.

Change in Burden Hours

With respect to the ongoing hour burden, the Commission staff estimates that the total burden has decreased from 353,510 hours to 328,746.33 hours, a reduction of approximately 24,764 hours. As detailed in the chart below, the reduction in the estimated burden hours is largely a result of a decrease in the number of registered broker-dealers, which results in a decrease in the number of respondents for most of the collections of information.

| Summary of Changes in Burden Hours | | | | | |
|------------------------------------|--|----------------------------------|--|------------------|--|
| IC | Name of Information Collection | Estimated Annual Industry Burden | Annual Industry Burden Previously Approved | Change in Burden | Reason for Change in Burden |
| 1 | FOCUS Report Part II: Non-Model Clearing Broker-Dealers | 66,240 | 69,408 | (3,168) | The estimated burden hours have been reduced as a result of a decrease in the number of respondents. The Commission estimates that the number of respondents has decreased from 482 to 460, a reduction of 22 non-model clearing broker-dealers. As a result of this decrease in respondents, the estimated annual industry burden has decreased by 3,168 hours. |
| 2 | FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers | 154,320 | 171,648 | (17,328) | The estimated industry burden has been reduced as a result of a decrease in the number of respondents. Specifically, the Commission estimates that the number of respondents has decreased from 3,576 to 3,215, a reduction of 361 non-model, non-clearing broker-dealers. As a result, the estimated annual industry burden has decreased by 17,238 hours. |
| 6 | Annual Reports | 44,148 | 47,184 | (3,036) | The estimated industry burden has been reduced as a result of a decrease in the number of respondents. The Commission estimates that the number of respondents has decreased from 3,932 to 3,679, a reduction of 253 respondents filing annual reports with the Commission. As a result, the estimated annual industry burden has decreased by 3,000 hours. |
| 7 | Compliance Report | 10,500 | 13,440 | (2,940) | The estimated industry burden has been reduced as a result of a decrease in the number of respondents. The Commission estimates that the number of respondents has decreased from 224 to 175, a reduction of 49 respondents. As a result, the estimated annual industry burden has decreased by 2,940 hours. |
| 8 | Exemption Report | 21,007 | 26,838 | (5,831) | The estimated industry burden has been reduced as a result of a decrease in the number of respondents. The Commission estimates that the number of respondents has decreased from 3,834 to 3,001, a reduction of 833 respondents. As a result, the estimated annual industry burden has decreased by 5,831 hours. |
| 9 | SIPC Annual Reports | 1,810.50 | 1,975 | (164.5) | The estimated industry burden has been reduced as a result of a decrease in the number of respondents. The Commission estimates that the number of respondents has decreased from 3,950 to 3,621. As a result, the estimated annual industry burden has decreased by 164.5 hours. |
| 11 | Annual General Assessment Reconciliation or Exclusion from Membership Forms | 18,445 | 20,290 | (1,845) | The estimated industry burden has been reduced as a result of a decrease in the number of respondents. The Commission estimates that the number of respondents has decreased from 4,058 to 3,689, a reduction of 369 respondents. As a result of this reduction, the estimated annual industry burden has decreased by 1,845 hours. |
| 12 | Statement Regarding Independent Public Account – Carrying or Clearing Broker-Dealer | 4,600 | 600 | 4,000 | The estimated industry burden has increased as a result of a revision in the number of respondents. The Commission estimates that the number of respondents is 460, a difference of 400. As a result, the estimated annual industry burden has increased from 880 to 4,600 hours, an increase of 4,000 hours. |
| 13 | Statement Regarding Independent Public Accountant - Carrying or Clearing Broker-Dealer | 6,430 | 880 | 5,550 | The estimated industry burden has increased as a result of a revision in the number of respondents. The Commission estimates that the number of respondents is 3,215. As a result, the estimated annual industry burden has increased from 880 to 4,600 hours, an increase of 5,550 hours. |

Changes in Cost Burdens

With respect to the cost burden, the Commission staff estimates that the total burden has decreased from \$45,131,475 to \$35,287,127.25, a reduction of approximately \$9,844,348. As detailed in the chart below, notwithstanding the increase in the cost of postage due to inflation, the overall reduction in the cost burden is largely a result of a decrease in the number of registered broker-dealers, which results in a decrease in the number of respondents for many of the collections of information.

| Summary of Changes in Cost | | | | | |
|----------------------------|---|--------------------------------|--|----------------|--|
| IC | Name of Information Collection | Estimated Annual Industry Cost | Annual Industry Cost Previously Approved | Change in Cost | Reason for Change in Cost |
| 3 | ANC Supplemental Monthly Reports | \$60 | \$56 | \$4 | The estimated industry costs has increased as a result of inflation in the cost of postage. |
| 4 | ANC Supplemental Quarterly Reports | \$20 | \$19 | \$1 | The estimated industry cost has increased as a result of inflation in the cost of postage. |
| 6 | Annual Report | \$28,512 | \$25,361 | \$3,151.25 | The estimated industry cost has increased as a result of inflation in the cost of postage. |
| 7 | Rule 17a-5(d)(3): Compliance Report | \$26,250,000 | \$33,600,000 | (\$7,350,000) | The estimated industry cost has decreased as a result of a reduction in the number of respondents from 224 to 175. |
| 8 | Rule 17a-5(d)(4): Exemption Report | \$9,003,000 | \$11,502,000 | (\$2,499,000) | Notwithstanding the increase in the cost of postage as a result of inflation, the estimated industry cost has decreased as a result of a reduction in the number of respondents from 3,834 to 3,001. |
| 9 | SIPC Annual Report | \$1,810.50 | \$1,857 | (\$46.50) | The estimated industry cost has decreased as a result of a reduction in the number of respondents from 3,950 to 3,621. |
| 10 | Notice of Change in Fiscal Year | \$37.50 | \$35 | \$2.50 | The estimated industry cost has increased as a result of inflation in the cost of postage. |
| 11 | SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms | \$1,844.50 | \$1,907 | (\$62.76) | Notwithstanding the increase in the cost of postage as a result of inflation, the estimated industry cost has decreased as a result of a reduction in the number of respondents from 4,058 to 3,689. |
| 12 & 13 | Statement Regarding Independent Public Accountant | \$1,837.50 | \$235 | \$1,602.50 | The estimated industry cost has increased as a result of inflation in the cost of postage and an increase in the number. |

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.