

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-10 – Report on Revenue and Expenses
OMB Control No. 3235-0122

A. JUSTIFICATION

1. Information Collection Necessity

Paragraph (a)(1) of Rule 17a-10 (17 CFR 240.17a-10) under the Securities Exchange Act of 1934¹ (“Exchange Act”) generally requires broker-dealers that are exempted from the requirement to file monthly and quarterly reports pursuant to paragraph (a) of Exchange Act Rule 17a-5 (17 CFR 240.17a-5) to file with the Commission the Facing Page, Statement of Income (Loss) and balance sheet from Part IIA of Form X-17A-5 (17 CFR 249.617),² and Schedule I of Form X-17A-5 (17 CFR 249.617) not later than 17 business days after the end of each calendar year.

Paragraph (a)(2) of Rule 17a-10 requires a broker-dealer subject to Rule 17a-5(a) to submit Schedule I of Form X-17A-5 with its Form X-17A-5 for the calendar quarter ending December 31 of each year. The burden associated with filing Schedule I of Form X-17A-5 is accounted for in the Paperwork Reduction Act filing associated with Rule 17a-5.

Paragraph (b) of Rule 17a-10 provides that the provisions of paragraph (a) do not apply to members of national securities exchanges or registered national securities associations that maintain records containing the information required by Form X-17A-5 and which transmit to the Commission copies of the records pursuant to a plan which has been declared effective by the Commission.

The primary purpose of Rule 17a-10 is to obtain the economic and statistical data necessary for an ongoing analysis of the securities industry. The Commission adopted Rule 17a-10 pursuant to sections 15(c)(3), 17(a) and 23(a) of the Exchange Act, 15 U.S.C. sections 78o(c)(3), 78q(a) and 78w(a), respectively.

2. Information Collection Purpose and Use

The information submitted pursuant to Rule 17a-10 is used to identify which broker-dealers engage in various securities-related activities and to determine the amount of revenue derived by such broker-dealer firms from these activities. This data is needed by the Commission to evaluate the effects of economic events and public policies on various segments of the securities industry. Only the most current information will assist

¹ 15 U.S.C. 78a *et seq.*

² Form X-17A-5 is the Financial and Operational Combined Uniform Single Report (“FOCUS Report”), which is used by broker-dealers to provide certain required information to the Commission.

the Commission in its ongoing analysis of securities industry revenue sources and related expenses. For those broker-dealers that are not members of a national securities exchange or national securities association which maintains records containing the information required by Form X-17A-5 as to each of its members, and which transmits to the Commission a copy of the record as to each such member pursuant to a plan which has been approved by the Commission, no available information is more current than that obtained through Rule 17a-10.

3. Consideration Given to Information Technology

The compilation and filing of the data required reflects the complexity of the broker-dealer's business. The increasing use by the Commission and broker-dealers of computerized systems for information gathering and compilation has minimized the burden associated with Rule 17a-10 to the extent possible at this time.

4. Duplication

Rule 17a-10 is the only rule that requires the submission of this information for broker-dealers exempt from the requirement to file monthly and quarterly reports pursuant to paragraph (a) of Exchange Act Rule 17a-5. Because no similar information is already available, no duplication exists.

5. Effect on Small Entities

The required reports are not extensive, and therefore the collection of information is not unduly burdensome for small entities.

6. Consequences of Not Conducting Collection

If this information were collected less frequently, the Commission could not maintain and formulate effective policy regarding the securities industry.

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 payments or gifts were provided to respondents.

10. Confidentiality

Paragraph (c) of Rule 17a-10 provides that the reports filed pursuant to the rule are to be considered non-public information, except in situations where the Commission determines it is in the public interest to direct otherwise.

11. Sensitive Questions

The information collection collects basic Personally Identifiable Information (“PII”) that may include name, work address, telephone number and job title. 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 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 information is not retrieved by a personal identifier.

12. Information Collection Burden

The staff estimates that approximately 46 broker-dealers are subject to the facing page, income statement, and balance sheet filing requirement of Rule 17a-10.

Because of variations in the size and complexity of broker-dealers subject to the facing page, income statement and balance sheet filing requirement of Rule 17a-10, it is very difficult to develop a meaningful figure for the amount of respondent time needed to comply with the rule. The staff estimates that, on average, the amount of time required per response will be approximately 12 hours. This estimation is based on staff experience in this area. Each broker-dealer is required to make one filing per year. Therefore, the number of filings is approximately 46 per year, and the estimated total compliance burden is approximately 552 burden-hours per year (46 responses per year times 12 hours per response). The burden is a reporting type of burden.

| Burden | Burden Type | Number of Respondents | Number of Annual Responses Per Respondent | Time Per Response (Hours) | Total Burden Per Burden Type (Hours) |
|-------------------------------------------------------------------|--------------------|------------------------------|--------------------------------------------------|----------------------------------|---------------------------------------------|
| File Form X-17A-5 facing page, income statement and balance sheet | Reporting | 46 | 1 | 12 | 552 |

13. Costs to Respondents

Not applicable. It is not anticipated that respondents will have to incur capital or start-up costs to comply with Rule 17a-10.

14. Costs to Federal Government

Commission staff estimates that there is no annual cost associated with reviewing revenue and expense data submitted pursuant to Rule 17a-10.

15. Changes in Burden

The annual ongoing hour burden increased by 96 hours (from 456 hours to 552 hours) overall as a result of an adjustment in Commission staff's estimated number of respondents. There is no change in the cost burden of broker-dealers that file the facing page, income statement and balance sheet under Rule 17a-10 (i.e., the estimated cost burden continues to be \$0).

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. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.