

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

**A. JUSTIFICATION**

**1. Information Collection Necessity**

Section 17(a)(1)<sup>1</sup> 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)<sup>2</sup> 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”).<sup>3</sup> Section 17(e)(2)<sup>4</sup> 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<sup>5</sup> is a reporting rule for broker-dealers. Paragraph (a) of Rule 17a-5 requires broker-dealers to file Form X-17A-5,<sup>6</sup> 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;<sup>7</sup> (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);<sup>8</sup> and

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<sup>1</sup> See 15 U.S.C. § 78q(a)(1).

<sup>2</sup> See 15 U.S.C. § 78q(e)(1)(A).

<sup>3</sup> See Pub. L. No. 107-204 § 2(a)(12).

<sup>4</sup> See 15 U.S.C. § 78q(e)(2).

<sup>5</sup> See 17 CFR 240.17a-5.

<sup>6</sup> See 17 CFR 249.17a-5(a).

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

<sup>8</sup> 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-

(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.<sup>9</sup> 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.<sup>10</sup> Paragraph (h) of Rule 17a-5 contains notification requirements related to certain findings made during the course of the independent accountant's audit.<sup>11</sup> 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.<sup>12</sup> 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.<sup>13</sup>

### **Partial Revision to Collection of Information**

As discussed further below, the Commission adopted amendments to Rule 17a-3 in 2019 pursuant to authority in the Dodd-Frank Act. The 2019 amendments are not required to be complied with until October 6, 2021 and this partial revision provides new or updated burden estimates in connection with the 2019 rule amendments.

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.<sup>14</sup> Among other things, pursuant to sections 17(a) and 15F(f) of the Exchange Act, the Commission amended FOCUS Report Part II to require reporting of certain security-based swap activity and amended Rule 17a-5 to require broker-dealer SBSBs, broker-dealer MSBSPs, and alternative net capital ("ANC") broker-dealers to file FOCUS Report Part II, as amended.<sup>15</sup>

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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.

<sup>9</sup> 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).

<sup>10</sup> See 17 CFR 240.17a-5(d).

<sup>11</sup> See 17 CFR 240.17a-5(h).

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

<sup>13</sup> See 17 CFR 240.17a-5(p); 17 CFR 240.17a-12.

<sup>14</sup> 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 68550 (Dec. 16, 2019).

<sup>15</sup> 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 68550 (Dec. 16, 2019).

The Commission also amended paragraph (e)(2) of Rule 17a-5 to simplify the description of a broker-dealer’s obligations in connection with filing the annual reports with the Commission, the firm’s designated examining authority (“DEA”), and, in most cases, with the Securities Investor Protection Corporation (“SIPC”).<sup>16</sup> In addition, the Commission adopted several technical amendments to Rule 17a-5 to account for FOCUS Report Part II, as amended, and to account for paragraph (p) of Exchange Act Rule 15c3-3, as amended, which establishes requirements relating to a broker-dealer’s segregation of collateral given to a broker-dealer to secure a security-based swap (“SBS”) transaction.<sup>17</sup>

Following the amendments to Rule 17a-5, the Commission requested an extension of the currently approved collection in August of 2020. The extension was approved in October 2020.<sup>18</sup> That extension did not address the estimated burdens associated amendments to Rule 17a-5 adopted in September 2019. Instead, **this Supporting Statement addresses the 2019 amendments and the estimated burdens associated with them.**

## 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 is 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.

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<sup>16</sup> See paragraph (e)(2) of Rule 17a-5, as amended.

<sup>17</sup> See, e.g., paragraphs (a)(1)(iv), (a)(1)(v), (a)(3), (b)(1), (d)(1)(i)(B), (d)(2), (d)(3), and (h) of Rule 17a-5, as amended.

<sup>18</sup> See [https://www.reginfo.gov/public/do/PRAViewICR?ref\\_nbr=202005-3235-021](https://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=202005-3235-021).

#### **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.

The Commission does not anticipate that small broker-dealers will be affected by the amendments to Rule 17a-5 adopted in September 2019 because the Commission expects only broker-dealers with relatively complex business models to engage in security-based swap activity or register as SBSBs or MSBSPs.

#### **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 Commission requested comment on the collection of information requirements in the 2019 Amendments when they were proposed in April 2014.<sup>19</sup> The Commission received no

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<sup>19</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rule*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

comments regarding the burden and cost estimates. The proposed revisions to the collection of information was submitted to OMB in 2016 (ICR Ref. No. 201606-3235-015).

## **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.<sup>20</sup> 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.<sup>21</sup> In addition, broker-dealers are required to furnish customers with unaudited financial statements dated six months from the date of the audited statements.<sup>22</sup> With respect to the other information collected under the amendments, a broker-dealer can request the confidential treatment of the information.<sup>23</sup> If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.<sup>24</sup>

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.

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<sup>20</sup> See paragraph (e)(3) of Rule 17a-5.

<sup>21</sup> See paragraph (c)(2) of Rule 17a-5.

<sup>22</sup> See paragraph (c)(3) of Rule 17a-5.

<sup>23</sup> 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>.

<sup>24</sup> 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

### RULE 17A-5 BURDENS PREVIOUSLY APPROVED PRIOR TO THE AMENDMENTS

This section summarizes the burdens associated with Rule 17a-5 that are not affected by the amendments adopted in September 2019. With respect to each of these burdens, the relevant entity will not be engaged in activities involving security-based swaps.

**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.<sup>25</sup> 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,<sup>26</sup> resulting in an **annual industry burden of 66,240 hours.**<sup>27</sup>

**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.<sup>28</sup> 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,<sup>29</sup> resulting in an **annual industry burden of 154,320 hours.**<sup>30</sup>

**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 15c3-1<sup>31</sup> 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.

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<sup>25</sup> See 17 CFR 240.17a-5(a)(2)(ii).

<sup>26</sup> 12 hours x 12 responses per year = 144 hours per respondent.

<sup>27</sup> 144 hours per respondent x 460 respondents = 66,240 hours per year.

<sup>28</sup> See 17 CFR 240.17a-5(a)(2)(iii).

<sup>29</sup> 12 hours x 4 responses per year = 48 hours per respondent.

<sup>30</sup> 48 hours per respondent x 3,215 respondents = 154,320 hours per year.

<sup>31</sup> 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.

*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,<sup>32</sup> resulting in an **annual industry burden of 480 hours.**<sup>33</sup> 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,<sup>34</sup> resulting in an **annual industry burden of 320 hours.**<sup>35</sup> 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,<sup>36</sup> resulting in an **annual industry burden of 400 hours.**<sup>37</sup> 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.<sup>38</sup> Approximately 3,679 broker-dealers filed annual audited financial statements for fiscal year 2019.<sup>39</sup> Each firm is estimated to have an annual reporting burden of 12 hours,<sup>40</sup> resulting in an **annual industry burden of 44,148 hours.**<sup>41</sup>

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.<sup>42</sup> As of June 30, 2016, there are approximately 175 carrying broker-dealers that must comply with Rule

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<sup>32</sup> 4 hours x 12 responses per year = 48 hours per respondent.

<sup>33</sup> 48 hours per respondent x 10 respondents = 480 hours per year.

<sup>34</sup> 8 hours x 4 responses per year = 32 hours per respondent.

<sup>35</sup> 32 hours per respondent x 10 respondents = 320 hours per year.

<sup>36</sup> 40 hours x 1 response per year = 40 hours per respondent.

<sup>37</sup> 40 hours per respondent x 10 respondents = 400 hours per year.

<sup>38</sup> See 17 CFR 240.17a-5(d).

<sup>39</sup> 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.

<sup>40</sup> 12 hours x 1 response per year = 12 hours per respondent.

<sup>41</sup> 12 hours per respondent x 3,679 respondents = 44,148 hours per year.

<sup>42</sup> See 17 CFR 240.17a-5(d)(1)(i)(B)(I).

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 estimated to have an annual reporting burden of 60 hours,<sup>43</sup> resulting in an **annual industry burden of 10,500 hours.**<sup>44</sup>

**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.<sup>45</sup> 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,<sup>46</sup> resulting in an **annual industry burden of 21,007.**<sup>47</sup>

**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.<sup>48</sup> 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,<sup>49</sup> resulting in an **annual industry burden of 1,810.5 hours.**<sup>50</sup>

**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 minutes<sup>51</sup> 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,<sup>52</sup> resulting in an **annual industry burden of about 12.5 hours.**<sup>53</sup>

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<sup>43</sup> 60 hours x 1 response per year = 60 hours per respondent.

<sup>44</sup> 60 hours per respondent x 175 respondents = 10,500 hours per year.

<sup>45</sup> See 17 CFR 240.17a-5(d)(1)(i)(B)(1) and (2).

<sup>46</sup> 7 hours x 1 response per year = 7 hours per respondent.

<sup>47</sup> 7 hours per respondent x 3,001 respondents = 21,007 hours per year.

<sup>48</sup> See 17 CFR 240.17a-5(d)(6).

<sup>49</sup> .5 hours x 1 response per year = .5 hours per respondent.

<sup>50</sup> .5 hours per respondent x 3,621 respondents = 1,810.5 hours per year.

<sup>51</sup> 10 minutes / 60 minutes = 0.1667 hours.

<sup>52</sup> 0.167 hours x 1 response per year = 0.167 hours per respondent.

<sup>53</sup> 0.167 hours per respondent x 75 respondents = 12.5 hours.



**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.<sup>54</sup> 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.**<sup>55</sup>

**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).<sup>56</sup>

*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.<sup>57</sup> 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.**<sup>58</sup>

*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.<sup>59</sup> 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.**<sup>60</sup>

**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.<sup>61</sup> The estimated one-time burden associated with this requirement is approximately 2 hours, or about 0.67 hours on an annualized basis.<sup>62</sup> The Commission estimates that approximately 50 of these

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<sup>54</sup> See 17 CFR 240.17a-5(e)(4).

<sup>55</sup> 5 hours x 3,689 broker-dealers = 18,445 hours.

<sup>56</sup> See 17 CFR 240.17a-5(f)(2).

<sup>57</sup> 10 hours per response x 1 response per year = 10 hours per respondent.

<sup>58</sup> 10 hours per respondent x 60 respondents = 600 hours per year.

<sup>59</sup> 2 hours per response x 1 response per year = 2 hours per respondent.

<sup>60</sup> 2 hours per respondent x 440 respondents = 880 hours per year.

<sup>61</sup> See 17 CFR 240.17a-5(f)(3).

<sup>62</sup> 2 hours / 3 years = 0.67 hours per respondent.

notices are filed per year, resulting in an annual industry burden of 100 hours,<sup>63</sup> or about **33.33 hours on an annualized basis.**<sup>64</sup>

**Total Industry Hour Burden:** Thus, the Commission estimated that the total annual industry hour burden attributable to Rule 17a-5 with respect to those provisions not impacted by the amendments adopted in September 2019 is 328,746 hours per year.<sup>65</sup>

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
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	
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
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
ANC Supplemental Monthly Reports	Reporting	10	12	0.00	0.00	4.00	4.00	48.00	480.00	0
ANC Supplemental Quarterly Reports	Reporting	10	4	0.00	0.00	8.00	8.00	32.00	320.00	0
ANC Supplemental Annual Reports	Reporting	10	1	0.00	0.00	40.00	40.00	40.00	400.00	0
Annual Reports	Reporting	3,679	1	0.00	0.00	12.00	12.00	12.00	44,148.00	895
Compliance Report	Reporting	175	1	0.00	0.00	60.00	60.00	60.00	10,500.00	0
Exemption Report	Reporting	3,001	1	0.00	0.00	7.00	7.00	7.00	21,007.00	895
SIPC Annual Reports	Third-Party Disclosure	3,621	1	0.00	0.00	0.50	0.50	0.50	1,810.5	859
Change of Fiscal Year End	Reporting	75	1	0.00	0.00	0.17	0.17	0.17	12.50	23
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
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
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

<sup>63</sup> 2 hours per respondent x 50 respondents = 100 hours per year.

<sup>64</sup> 100 hours / 3 years = 33.33 hours per year.

<sup>65</sup> 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.

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
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	
Statement Regarding Change in Independent Public Accountant	Reporting	50	1	2.00	0.67	0.00	0.67	0.67	33.33	30
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>									<b>328,746.33</b>	

**PARTIAL REVISION: New Burdens Associated with Amendments to Rule 17a-5 Regarding Security-Based Swap Activities Adopted in September 2019**

Rule 17a-5, as amended in the in September 2019, establishes additional reporting requirements applicable to broker-dealers to the extent they engage in activities involving or swap or security-based swaps.<sup>66</sup> The Commission expects that many of the amendments, which are largely technical in nature, do not impose an additional hour burden or costs. Those amendments that are expected to impose an additional one-time initial burden or an additional ongoing burden to the industry are discussed below.

**FOCUS Report Part II for Non-Model Broker-Dealer SBSDs:** The Commission amended paragraph (a)(1)(ii) of Rule 17a-5 to require broker-dealer SBSDs to file FOCUS Report Part II, as amended, on a monthly basis.<sup>67</sup> Given that SBSDs are expected to be relatively large and sophisticated firms, the Commission assumes that broker-dealer SBSDs are carrying firms which filed FOCUS Report Part II before dually registering as an SBSD. Although broker-dealer SBSDs will continue to file FOCUS Report Part II, the burden on broker-dealer SBSDs will increase because FOCUS Report Part II is being amended so that broker-dealer SBSDs are required to complete additional sections and line items eliciting more detail about their SBS and swap activities.<sup>68</sup> In consideration of these additional requirements,

<sup>66</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rule*, Exchange Act Release No. 87005 (Sep. 19, 2019), 84FR 68550 (Dec. 16, 2019).

<sup>67</sup> See 17 CFR 240.17a-5(a)(1)(ii).

<sup>68</sup> Non-model broker-dealer SBSDs are required to complete the following new sections: (1) Financial and Operational Data – Operational Deductions from Capital – Note A; (2) Financial and Operational Data – Potential Operational Charges Not Deducted from Capital – Note B; (3) Computation for Determination of PAB Requirements; (4) Computation for Determination of Security-Based Swap Customer Reserve Requirements; (5) Possession or Control for Security-Based Swap Customers; (6) Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions; (7) Schedule 2 – Credit Concentration Report for Fifteen Largest Current Exposures in Derivatives; (8) Schedule 3 – Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (9) Schedule 4 – Geographic Distribution of Derivatives Exposures for Ten Largest Countries. In addition, non-model broker-dealer SBSDs also registered as FCMs will be required to file the following sections not included on pre-existing Part II, but which the CFTC already requires FCMs to file as part of Form 1-FR-FCM: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of

the Commission estimates that the requirement for non-model broker-dealer SBSBs to file amended FOCUS Report Part II every month will impose an initial burden of an additional 50 hours per firm in the first year and an ongoing burden of 240 hours per firm in each year (including the first year). The Commission estimates that there will be six non-model broker-dealer SBSBs, resulting in an initial burden to the industry of an additional 300 hours in the first year<sup>69</sup> and an ongoing burden of 1,440 hours per year (including the first year).<sup>70</sup> Over a three year period, the total industry burden is estimated to be 4,620 hours,<sup>71</sup> or **1,540 hours per year when annualized.**<sup>72</sup>

**FOCUS Report Part II for Non-Model Broker-Dealer MSBSPs:** The Commission amended paragraph (a)(1)(ii) of Rule 17a-5 to require broker-dealer MSBSPs to file FOCUS Report Part II, as amended, on a monthly basis.<sup>73</sup> Given that MSBSPs are expected to be relatively large and sophisticated firms, the Commission assumes that broker-dealer MSBSPs are carrying firms which filed FOCUS Report Part II before dually registering as an MSBSP. Although broker-dealer MSBSPs will continue to file FOCUS Report Part II, the burden on broker-dealer MSBSPs will increase because FOCUS Report Part II is being amended so that broker-dealer MSBSPs are required to complete additional sections and line items eliciting more detail about their SBS and swap activities.<sup>74</sup> In consideration of these additional requirements,

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Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections from Form 1-FR-FCM, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's amended FOCUS Report Part II.

<sup>69</sup> 50 hours x 6 non-model broker-dealer SBSBs = 300 hours.

<sup>70</sup> 240 hours x 6 non-model broker-dealer SBSBs = 1,440 hours.

<sup>71</sup> (300 hours in first year + 1,440 hours in first year) + 1,440 hours in second year + 1,440 hours in third year = 4,620 hours.

<sup>72</sup> 4,620 hours / 3 years = 1,540 hours per year.

<sup>73</sup> See 17 CFR 240.17a-5(a)(1)(ii).

<sup>74</sup> Broker-dealer MSBSPs will be required to complete the following new sections: (1) Financial and Operational Data – Operational Deductions from Capital – Note A; (2) Financial and Operational Data – Potential Operational Charges Not Deducted from Capital – Note B; (3) Computation for Determination of PAB Requirements; (4) Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions; (5) Schedule 2 – Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (6) Schedule 3 – Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (7) Schedule 4 – Geographic Distribution of Derivatives Exposures for Ten Largest Countries. In addition, broker-dealer MSBSPs also registered as FCMs will be required to file the following sections not included on pre-existing Part II, but which the CFTC already requires FCMs to file as part of Form 1-FR-FCM: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections from Form 1-FR-FCM, since the CFTC already requires

the Commission estimates that the requirement for broker-dealer MSBSPs to file amended FOCUS Report Part II every month imposes an initial burden of 35 hours per firm in the first year and an ongoing burden of 204 hours per firm in each year (including the first year). The estimated hourly burdens for broker-dealer MSBSPs are slightly less than the estimates for broker-dealer SBSBs because broker-dealer MSBSPs are not required to complete the sections of amended FOCUS Report Part II relating to paragraph (p) of Rule 15c3-3. The Commission estimates that there will be one broker-dealer MSBSP, resulting in an initial burden of an additional 35 hours<sup>75</sup> in the first year and an additional ongoing burden of 204 hours per year (including the first year).<sup>76</sup> Over a three-year period, the total industry burden is estimated to be 647 hours,<sup>77</sup> or about **216 hours per year when annualized.**<sup>78</sup>

**Amended FOCUS Report Part II for ANC Broker-Dealer SBSBs:** The Commission amended paragraph (a)(1)(ii) of 17a-5 to require ANC broker-dealer SBSBs to file amended FOCUS Report Part II instead of FOCUS Report Part II CSE.<sup>79</sup> Although amended FOCUS Report Part II is modeled on FOCUS Report Part II CSE, the burden on ANC broker-dealer SBSBs will increase, because ANC broker-dealer SBSBs will complete additional sections and line items eliciting more detail about their SBS and swap activities.<sup>80</sup> In consideration of these additional requirements, the Commission estimates that the requirement for ANC broker-dealer SBSBs to file amended FOCUS Report Part II every month will impose an initial burden of 25 hours per firm in the first year and an ongoing annual burden of 228 hours per firm in each year (including the first year). The Commission estimates that there will be 10 ANC broker-dealers that will register as SBSBs adding to the industry an initial burden of 250 hours in the first year<sup>81</sup> and an ongoing burden of 2,280 hours per year (including the first year).<sup>82</sup> Over a three year

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FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's amended FOCUS Report Part II.

<sup>75</sup> 35 hours x 1 broker-dealer MSBSP = 35 hours.

<sup>76</sup> 204 hours x 1 broker-dealer MSBSP = 204 hours.

<sup>77</sup> (35 hours in first year + 204 hours in first year) + 204 hours in second year + 204 hours in third year = 647 hours.

<sup>78</sup> 647 hours / 3 years = 215.67 hours per year.

<sup>79</sup> See paragraph (a)(1)(ii) of Rule 17a-5, as amended.

<sup>80</sup> ANC broker-dealer SBSBs will be required to complete the following new sections: (1) Computation for Determination of Security-Based Swap Customer Reserve Requirements; (2) Possession or Control for Security-Based Swap Customers; (3) Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions; and (4) Schedule 4 – Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

<sup>81</sup> 25 hours x 10 ANC broker-dealer SBSBs = 250 hours.

<sup>82</sup> 228 hours x 10 ANC broker-dealer SBSBs = 2,280 hours.

period, the total industry burden is estimated to be 7,090 hours,<sup>83</sup> or about **2,363 hours per year when annualized.**<sup>84</sup>

**Amended FOCUS Report Part II for Stand-Alone Non-Model Broker-Dealers Engaged in SBS Activities:** Stand-alone non-model broker-dealers that engage in security-based swap activities will be required to file FOCUS Report Part II, as amended, on a monthly basis instead of the currently existing FOCUS Report Part II. Although stand-alone non-model broker-dealers engaged in SBS activities will continue to file FOCUS Report Part II, the burden on such firms will increase because FOCUS Report Part II is being amended so that these firms are required to complete additional sections and line items eliciting more detail about their SBS and swap activities.<sup>85</sup> In consideration of these additional requirements, the Commission estimates that the requirement for stand-alone non-model broker-dealers engaged in security-based swap activities to file amended FOCUS Report Part II will add an initial burden of 20 hours per firm and an ongoing annual burden of 120 hours per firm. The Commission estimates that there are 25 stand-alone non-model broker-dealers engaged in security-based swap activities, adding to the industry an initial burden of 500 hours<sup>86</sup> and an ongoing burden of 3,000 hours per year.<sup>87</sup> Over a three year period, the total industry burden is estimated to be 9,500 hours,<sup>88</sup> or about **3,167 hours per year when annualized.**<sup>89</sup>

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<sup>83</sup> (250 hours in first year + 2,280 hours in first year) + 2,280 hours in second year + 2,280 hours in third year = 7,090 hours.

<sup>84</sup> 7,090 hours / 3 years = 2,363.33 hours per year.

<sup>85</sup> Stand-alone non-model broker-dealers that engage in security-based swap activities will be required to complete the following new sections: (1) Computation for Determination of PAB Requirements; (2) Computation for Determination of Security-Based Swap Customer Reserve Requirements; (3) Possession or Control for Security-Based Swap Customers; (4) Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions. In addition, non-model broker-dealer SBSs also registered as FCMs will be required to file the following sections not included on Pre-Amendment FOCUS Report Part II, but which the CFTC already requires FCMs to file as part of Form 1-FR-FCM: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections from Form 1-FR-FCM, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's amended FOCUS Report Part II, as amended.

<sup>86</sup> 20 hours x 25 stand-alone non-model broker-dealers engaged in security-based swap activities = 500 hours.

<sup>87</sup> 120 hours/year x 25 stand-alone non-model broker-dealers engaged in security-based swap activities = 3,000 hours/year.

<sup>88</sup> (500 hours in first year + 3,000 hours in first year) + 3,000 hours in second year + 3,000 hours in third year = 9,500 hours.

<sup>89</sup> 7,090 hours / 3 years = 2,363.33 hours per year.

The burdens associated with the amendments to Rule 17a-5 are summarized in the table below:

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 [C ÷ 3 years]	E. Ongoing Burden per Entity per Response	F. Annual Burden Per Entity per Response [D + E]	G. Total Annual Burden Per Entity [F * B]	Total Industry Burden [G * A]	Small Business Entities Affected [A * 0 %]
FOCUS Report Part II: Non-Model Broker-Dealer SBSBs	Reporting	6	12	4.17	1.39	20.00	21.39	256.67	1,540.00	0
FOCUS Report Part II: Non-Model Broker-Dealer MSBSPs	Reporting	1	12	2.92	0.97	17.00	17.97	215.67	215.67	0
FOCUS Report Part II: ANC Broker-Dealer SBSBs	Reporting	10	12	2.08	0.69	19.00	19.69	236.33	2,363.33	0
FOCUS Report Part II: Non-Model Stand-alone Broker-Dealers with SBS Activities	Reporting	25	12	1.67	0.56	10.00	10.56	126.67	3,166.67	0
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS FOR AMENDMENTS RELATED TO SECURITY-BASED SWAP ACTIVITIES</b>									<b>7,285.67</b>	

When the estimated burden hours associated with the amendments to Rule 17a-5 (7,286) are added to the previously approved burden hours (328,748), the revised hourly burdens associated with Rule 17a-5 are estimated to be approximately 336,034.

### 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.<sup>90</sup> 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.**<sup>91</sup>

**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.<sup>92</sup>

<sup>90</sup> (\$0.50 per filing x 12 monthly reports) + (\$0.50 per filing x 4 quarterly reports) + (\$0.50 per filing x 1 annual report) = \$8.50 per year.

<sup>91</sup> \$8.50 per year x 10 ANC broker-dealers = \$85 per year.

<sup>92</sup> 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](http://www.usps.gov).

The Commission estimates that there are 3,679 respondents, resulting in **an estimated industry-wide cost of approximately \$28,512 per year.**<sup>93</sup>

**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.<sup>94</sup> 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.**<sup>95</sup>

**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.<sup>96</sup> 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 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.**<sup>97</sup>

**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.**<sup>98</sup>

**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.**<sup>99</sup>

**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

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<sup>93</sup> \$7.75 per firm x 3,679 broker-dealers = \$28,512.25 per year.

<sup>94</sup> See 17 CFR 240.17a-5(d)(1)(i)(B)(1).

<sup>95</sup> \$150,000 per year x 175 carrying broker-dealers = \$26,250,000.

<sup>96</sup> See 17 CFR 240.17a-5(d)(1)(i)(B)(2).

<sup>97</sup> \$3,000 per year x 3,001 non-carrying broker-dealers = \$9,003,000.

<sup>98</sup> \$0.50 per year x 3,621 SIPC member broker-dealers = \$1,810.50 per year.

<sup>99</sup> \$0.50 per year x 75 broker-dealers = \$35.25 per year.



assessment reconciliation or exclusion from membership forms, such that the **estimated cost burden on the industry is \$1,844.50 per year.**<sup>100</sup>

**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.**<sup>101</sup>

**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.<sup>102</sup>

Summary of Dollar Costs										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Cost per Entity per Response	Initial Cost Annualized per Entity per Response	Ongoing Cost per Entity per Response	Annual Cost Per Entity per Response	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	\$0.50	\$0.50	\$6.00	\$60.00	0
ANC Supplemental Quarterly Reports	Reporting	10	4	\$0	\$0	\$0.50	\$0.50	\$2.00	\$20.00	0
ANC Supplemental Annual Reports	Reporting	10	1	\$0	\$0	\$0.50	\$0.50	\$0.50	\$5	0
Annual Report	Reporting	3,689	1	\$0	\$0	\$7.75	\$7.75	\$7.75	\$28,512.25	895
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
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
SIPC Annual Report	Third-Party Disclosure	3,621	1	\$0	\$0	\$0.50	\$0.50	\$0.50	\$1,810.50	895
Notice of Change in Fiscal Year	Reporting	75	1	\$0	\$0	\$0.50	\$0.50	\$0.50	\$37.50	23
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
Statement Regarding Independent Public Accountant	Reporting	3,675	1	\$0	\$0	\$0.50	\$0.50	\$0.50	\$1,837.5	155
<b>TOTAL COST FOR ALL RESPONDENTS</b>									\$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.

<sup>100</sup> \$0.50 per year x 3,629 broker-dealers = \$1,844.50 per year.

<sup>101</sup> \$0.50 per firm x 3,675 broker-dealers = \$1837.50 per year.

<sup>102</sup> \$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.

## 15. Changes in Burden

As noted above, the Commission amended Rule 17a-5 in September 2019 in order to account for the security-based swap activities of broker-dealers, including broker-dealer security-based swap dealers, and broker-dealer major security-based swap participants. Consequently, by adding provisions to Rule 17a-5 to account for the security-based swap activities of these entities, the burden hours increased by approximately 7,286, hours, resulting in a total hourly burden of 336,034 hours.

The estimated burdens associated with the amendments to Rule 17a-5 changed in certain respects from the originally proposed burdens. The changes in the estimated burden hours from the proposing stage to the adopting stage are detailed in the table below.

Summary of Changes in Burden Hours				
Name of Information Collection	Estimated Annual Industry Burden Adopted	Estimated Annual Industry Burden Proposed	Change in Burden	Reason for Change in Burden
Liquidity Stress Test for ANC Broker-Dealers	0	120	(120)	The estimated burden hours have been reduced because the estimated burdens relate to a provision that was proposed but that was not adopted. As a result, the estimated burdens are no longer applicable.
FOCUS Report Part II: Non-Model Broker-Dealer MSBSPs	215.67	223.33	(7.66)	This burden was previously labeled as "Form SBS for Broker-Dealer MSBSPs Amendment to Paragraph (a)(1)(iv)." The burden has changed to reflect that the Commission did not adopt Form SBS as proposed and instead adopted amendments to FOCUS Report Part II, which broker-dealer MSBSPs will be required to file. The Commission also revised the burden estimates down, after additional consideration, from 40 hours and 210 hours for the initial and ongoing burdens, respectively, to 35 hours and 204 hours for the initial and ongoing estimated burdens, respectively.
FOCUS Report Part II: Non-Model Stand-alone Broker-Dealers with SBS Activities	3,166.67	0	3,166.67	The Commission did not adopt Form SBS as proposed. Form SBS would have been required to be filed by security-based swap entities rather than FOCUS Report Part II or Part IIA, which is required to be filed by broker-dealers. Instead, the Commission adopted a requirement for all non-bank security-based swap dealers and major-security-based swap participants file existing FOCUS Report Part II, and made certain amendments to the FOCUS Report Part II to account for the derivatives activities of these entities. As a result, the Commission revised its estimated burdens to account for broker-dealers engaged in security-based swap activities providing additional information on FOCUS Report Part II related to their security-based swap activities.

As noted above, the total change in the estimated burden hours associated with the to Rule 17a-5 is an increase of 7,286 to the previously approved burden hours of 328,748, for a revised total hourly burden for Rule 17a-5 of approximately 336,034. This change is summarized in the table below:

Summary of Changes in Burden Hours				
Rule	Total Estimated Annual Industry Burden Associated with	Annual Industry Burden Currently Approved	Change in Burden	Reason for Change in Burden

	<b>Amendments to Rule 17a-</b>			
Rule 17a-5	336.034	328,748	7,286	The estimated burden hours have increased as a result of amendments to Rule 17a-5.

There is no change in the cost burdens associated with the amendments to Rule 17a-5.

**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.