

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
Rule 17f-2(a)  
OMB Control No. 3235-0034

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

On March 16, 1976, the Commission adopted Rule 17f-2, implementing Section 17(f)(2) of the Securities Exchange Act of 1934 (the "Act"). Paragraph (a) of that Section and Rule 17f-2(a) thereunder provide that every member of a national securities exchange, broker, dealer, registered transfer agent and registered clearing agency ("covered entities") must require each of its partners, directors, officers, and employees to be fingerprinted and must submit or cause to be submitted such fingerprints to the designee of the Attorney General of the United States (the FBI) for appropriate identification and processing.

Section 17(f)(2) of the Act was a response by Congress to the large number of securities thefts which occurred in the late 1960's. Testimony at the hearing conducted before the Senate Permanent Subcommittee on Investigations between 1971 and 1974 indicated that the trafficking in stolen securities was a profitable area for organized crime and that the failure to have available to the financial community a means of easily identifying security-risk personnel was a contributing factor to that problem.

The purpose of Rule 17f-2(a) is to facilitate the identification of security-risk personnel (*i.e.*, persons with criminal history records for serious offenses), to provide criminal history record information so that employers can make fully informed employment decisions, and to deter such persons from seeking employment or association with covered entities.

**2. Purpose and Use of Information Collection**

Fingerprint cards are provided to covered entities by the appropriate self-regulatory organization ("SRO"). The SRO then forwards the cards to the FBI. The FBI processes the cards and returns those cards with any criminal history to the SRO. The SRO, in turn, returns the cards, together with any criminal history record information, to the covered entity that initially submitted the fingerprint cards. Processed fingerprint cards and criminal histories (if any) are reviewed by the covered entity to identify security-risk personnel, to allow for fully-informed decisions regarding employment or association of persons with a covered entity, and to deter persons with criminal histories from seeking employment or association with a covered entity. Without paragraph (a) of Rule 17f-2, benefits of the Rule to the securities industry would be lost, and the only nationwide, uniform fingerprinting program for the securities industry would be rendered inoperable.

**3. Consideration Given to Information Technology**

Not applicable.

#### **4. Duplication**

If, in connection with their present employment, a new hire in the securities industry has been fingerprinted pursuant to any other statute or regulation, those fingerprint cards may be submitted to the Attorney General for processing, and the processed cards may be maintained in accordance with this rule

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

The reporting requirement only applies to newly hired personnel in the securities industry. A small entity, therefore, would be affected by the Rule only when it hires new personnel.

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

The reporting requirement is on "an event" basis only.

#### **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**

No assurance of confidentiality is provided.

#### **11. Sensitive Questions**

Rule 17f-2 requires the collection of personally identifiable information (PII) including fingerprints and other sensitive information by covered entities under the rule for the purposes of ensuring that their employees complete the fingerprinting process as mandated. The covered entities must collect and maintain the PII under the rule. However, the agency has determined that neither a PIA nor a SORN are required in connection with the collection of information.

## 12. Information Collection Burden

The Commission staff estimates that approximately 4,480 covered entities per year are required to fingerprint their partners, directors, officers, or employees, unless otherwise exempt. The Financial Industry Regulatory Authority (FINRA), through its fingerprinting programs, handles the majority of fingerprint cards submitted to the FBI. On the basis of FINRA's estimates, we have concluded that approximately 289,780 fingerprint cards are prepared annually, or an average of approximately 65 cards per respondent. Also, we believe that one-half an hour is required to complete a fingerprint card. Thus, the total estimated annual burden for all respondents to comply with the requirements of Rule 17f-2(a) is 144,890 hours (289,780 times one-half hour). The average internal cost of compliance per hour is approximately \$283.<sup>1</sup> Therefore, the total estimated annual internal cost of compliance for all respondents is \$41,003,870 (144,890 times \$283).

| <b>Rule</b>          | <b>Burden Type</b> | <b>Number of Annual Responses</b> | <b>Time Per Response (Hours)</b> | <b>Total Annual Burden (Hours)</b> |
|----------------------|--------------------|-----------------------------------|----------------------------------|------------------------------------|
| <b>Rule 17f-2(a)</b> | Periodic Reporting | 289,780                           | .5                               | 144,890                            |

## 13. Costs to Respondents

Not applicable; (a) it is not anticipated that respondents will have to incur any capital and start up cost to comply with the rule; (b) it is not anticipated that the respondents will have to incur any additional operational or maintenance cost to comply with the rule.

## 14. Costs to Federal Government

None. The staff presently receives no more than three inquiries per week in connection with Rule 17f-2(a). Inquiries can be responded to within one-half hour and all inquiries are handled by existing staff as part of their regular duties.

## 15. Changes in Burden

None.

## 16. Information Collection Planned for Statistical Purposes

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

Not applicable. The information collection is not used for statistical purposes.

**17. Approval to Omit OMB Expiration Date**

The Commission is not seeking approval to omit the expiration date.

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.