

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

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

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” is 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.

Rule 17a-5 under the Exchange Act<sup>5</sup> is a reporting rule for broker-dealers. Rule 17a-5 applies to broker-dealers, including some broker-dealers that are OTC derivatives dealers; broker-dealers, other than OTC derivatives dealers, that are also registered security-based swap dealers; and broker-dealers, including OTC derivatives dealers, that are also registered as major security-based swap participants. Paragraph (a)(1) of Rule 17a-5 requires broker-dealers to file periodic reports on Form X-17A-5, 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.

Under paragraph (a)(2) of Rule 17a-5, the reports provided for in paragraph (a) that must be filed with the Commission must be filed with the Commission at its principal office and the regional office of the Commission where the broker-dealer has its principal place of business. However, under paragraph (a)(3) of Rule 17a-5, the provisions of paragraph (a)(1) 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

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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.

Commission. As a result, FOCUS Reports required to be filed under paragraph (a)(1) of Rule 17a-5 are generally filed electronically with FINRA<sup>6</sup> via FINRA's eFOCUS system.

Paragraph (a)(1)(i) of Rule 17a-5 provides that broker-dealers that clear transactions or carry customer accounts must file Part I of the FOCUS Report monthly. However, in 1996, the NASD's plan was amended to eliminate the requirement for member firms to file Part I.<sup>7</sup>

Paragraphs (a)(1)(ii) and (iii) of Rule 17a-5 generally require broker-dealers that clear transactions or carry customer accounts and broker-dealers registered as security-based swap dealers or major security-based swap participants to file Part II of the FOCUS Report and broker-dealers that do not clear transactions nor carry customer accounts and that are not registered as security-based swap dealers or major security-based swap participants to file Part IIA of the FOCUS Report quarterly. However, paragraph (a)(1)(iv) of Rule 17a-5 requires broker-dealers to file Part II or Part IIA monthly upon receiving written notice from the Commission or the designated examining authority ("DEA") of the broker-dealer. Paragraph (a)(5) of Rule 17a-5 requires broker-dealers that compute certain capital charges in accordance with Appendix E to Exchange Act Rule 15c3-1<sup>8</sup> ("ANC broker-dealers") to file certain additional monthly and quarterly reports.

Paragraph (c) of Rule 17a-5 requires a broker-dealer to furnish certain financial information to its customers.<sup>9</sup>

Paragraph (d) of Rule 17a-5 requires broker-dealers, subject to limited exceptions, to file annual reports, which must include a financial report and a compliance report or exemption report, and generally must include reports prepared by an independent public accountant covering the financial report and the compliance report or exemption report. Generally, broker-dealers that did not claim they were exempt from Exchange Act Rule 15c3-3,<sup>10</sup> the broker-dealer customer protection rule, throughout the fiscal year must file compliance reports and brokers that claim they were exempt from Rule 15c3-3 throughout the fiscal year must file exemption reports. The annual reports must be filed with the Commission at its principal office and at the regional office of the Commission where the broker-dealer has its principal place of business or the annual reports may be filed electronically in accordance with directions provided on the Commission's website. Currently, those directions provide for electronic filing of the annual reports via the Commission's EDGAR system. The annual reports must also be filed with the Securities Investor Protection Corporation ("SIPC") if the firm is a member of SIPC, and must

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<sup>6</sup> In 2007, FINRA was created through the consolidation of NASD and the member regulation, enforcement, and arbitration operations of the New York Stock Exchange.

<sup>7</sup> *See Self-Regulatory Organizations; Notice of Filing and Order Granting Accelerated Approval of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to the Association's FOCUS Filing Plan*, Release No. 34-36780, File No. SR-NASD-96-03 (Jan. 26, 1996), 61 FR 3743, 3745 (Feb. 1, 1996) available at: [www.govinfo.gov/content/pkg/FR-1996-02-01/pdf/96-2056.pdf](http://www.govinfo.gov/content/pkg/FR-1996-02-01/pdf/96-2056.pdf).

<sup>8</sup> *See* 17 CFR 240.15c3-1e.

<sup>9</sup> 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 240.15c3-3.

generally be provided to all self-regulatory organizations of which the broker-dealer is a member.

Under Paragraph (e)(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. 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.

Paragraph (f)(1) of Rule 17a-5 provides that the independent public accountant must be qualified and independent in accordance with Rule 2-01 of Regulation S-X<sup>11</sup> and must be registered with the PCAOB if required by the Sarbanes-Oxley Act of 2002. Paragraph (f)(2) of Rule 17a-5 requires broker-dealers that are required to file annual reports under paragraph (d) of Rule 17a-5 to file statements regarding their independent public accountant. If the engagement of the accountant is of a continuing nature, no further filing is required. Otherwise, a new statement must be filed with the Commission. Paragraph (f)(3) of Rule 17a-5 requires a broker-dealer to file a notice with the Commission if it replaces its accountant.

Paragraph (g) of Rule 17a-5 requires the independent public accountant to undertake to prepare its reports based on an examination of the financial report and either an examination of the compliance report or a review of certain statements in the exemption report. The reports must be prepared in accordance with PCAOB standards.

Paragraph (h) of Rule 17a-5 contains notification requirements related to certain findings made during the course of preparing the reports of the independent accountant.

Paragraph (k) of Rule 17a-5 requires an ANC broker-dealer to file a supplemental report on management controls concurrently with its annual reports.

Paragraph (n) of Rule 17a-5 provides that a broker-dealer must notify the Commission if it changes its fiscal year.

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>12</sup>

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

Reports required to be filed 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 DEA. The reports required under Rule 17a-5 are one of the primary means of ensuring compliance with the broker-dealer financial responsibility rules. A firm’s failure to

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<sup>11</sup> 17 CFR 210.2-01.

<sup>12</sup> See 17 CFR 240.17a-12.

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.

### **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 under paragraph (d) of Rule 17a-5 are generally filed with the Commission in paper form or 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. Many small broker-dealers file FOCUS Report Part IIA because they do not clear transactions or carry customer accounts. Part IIA is shorter than Part II. The Commission does not believe any of the firms that file Part II are small firms since they are clearing firms or firms that carry 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)(2) of Rule 17a-5. As stated above, 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. With respect to the other information collected under Rule 17a-5, a broker-dealer can request the confidential treatment of the information.<sup>13</sup> If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.<sup>14</sup>

Subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552, and the Commission’s rules under that Act (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 basic elements of Personally Identifiable Information (“PII”) including name, job title, and work address that is covered by the EDGAR PIA. No information of a sensitive nature, including social security numbers, will be required under this collection of information. Additionally, the agency has determined that the information collection does not constitute a system of records for purposes of the Privacy Act. Information is not retrieved by a personal identifier.

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<sup>13</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>14</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

**FOCUS Report Part II.:** Broker-dealers that clear transactions or carry customer accounts and broker-dealers registered as security-based swap dealers, other than OTC derivatives dealers, and broker-dealers registered as major security-based swap participants are generally required to file FOCUS Report Part II on a monthly or quarterly basis.<sup>15</sup> Commission staff estimates that a FOCUS Report Part II takes approximately 12 hours to prepare and file. (However, as discussed below, for certain broker-dealers, Part II elicits additional information and requires additional time to prepare). For the year ended December 31, 2022, Part II filers generally filed the Report monthly, and approximately 461 firms filed FOCUS Report Part II, resulting in an annual industry-wide burden of approximately **66,384 hours per year**.<sup>16</sup> This estimate is based on Commission staff's experience reviewing these filings and communicating with broker-dealers regarding the reports.

For broker-dealers registered as security-based swap dealers or major security-based swap participants, for certain ANC broker-dealers, and for stand-alone non-ANC broker-dealers that engage in security-based swap activities, the FOCUS Report Part II elicits additional information. For non-ANC broker-dealers registered as security-based swap dealers, the Commission estimates that there is an additional burden of 240 hours per firm per year, and for non-ANC firms registered as major security-based swap participants, the Commission estimates that there is an additional burden of 204 hours per firm per year. For ANC broker-dealers registered as security-based swap dealers, the Commission estimates that there is an additional burden of 228 per firm per year. For stand-alone non-ANC broker-dealers that engage in security-based swap activities, the Commission estimates that there is an additional burden of 120 hours per firm per year.

As of March 2023, there was one non-ANC broker-dealer that was registered as a security-based swap dealer. There were no non-ANC broker-dealers registered as a major security-based swap participant. However, the Commission will use one entity as its estimate, since it is possible, over the course of three years, that a non-ANC broker-dealer may register as a major security-based swap participant. As of March 2023, there were two ANC broker-dealers registered as security-based swap dealers. As of March 2023, the Commission estimates that 25 stand-alone non-ANC broker-dealers engaged in security-based swap activities.

As a result, the additional annual reporting burden for the one non-ANC broker-dealer registered as a security-based swap dealer is approximately **240 hours**;<sup>17</sup> The additional burden for one non-ANC broker-dealer registered as a major security-based swap participant is **204 hours**;<sup>18</sup> the additional burden for the two ANC broker-dealers registered as security-based swap

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<sup>15</sup> See 17 CFR 240.17a-5(a)(2)(ii), (iv).

<sup>16</sup> 12 hours per response x 12 responses per year x 461 respondents = 66,384 hours.

<sup>17</sup> 240 x 1 = 240.

<sup>18</sup> 204 x 1 = 204.

dealers is approximately **456 hours**;<sup>19</sup> and the additional burden for the 25 stand-alone non-ANC broker-dealers engaged in security-based swap activities is approximately **3,000 hours**.<sup>20</sup>

Therefore, the total annual industry-wide burden attributable to Part II of the FOCUS Report (paragraph (a)(1)(ii) of Rule 17a-5) is approximately **70,284 hours**.<sup>21</sup>

**FOCUS Report Part IIA:** Broker-dealers that do not clear transactions or carry customer accounts and are not registered as security-based swap dealers or major security-based swap participants are required to file FOCUS Report Part IIA on a quarterly or monthly basis.<sup>22</sup> Commission staff estimates that each FOCUS Report Part IIA takes approximately 12 hours to prepare and file. For the 12 months ended December 31, 2022, approximately 2,089 firms filed FOCUS Report Part IIA quarterly, resulting in an annual reporting burden of **100,272 hours**,<sup>23</sup> and 958 firms filed Part IIA monthly, resulting in an annual reporting burden of **137,952 hours**.<sup>24</sup>

Therefore, the total annual industry-wide reporting burden associated with Part IIA of the FOCUS Report is approximately **238,224 hours**.<sup>25</sup>

**ANC Broker-Dealer Additional Reports:** As explained above, paragraph (a)(5) of Rule 17a-5 requires ANC broker-dealers to file additional monthly and quarterly reports with the Commission, and paragraph (k) of Rule 17a-5 requires an ANC broker-dealers to file an annual supplemental report with the Commission regarding its internal risk management controls. As of March 2023, there are 5 ANC broker-dealers. The burden estimates are based on Commission staff's history and experience reviewing these filings and communicating with ANC broker-dealers regarding the reports.

*ANC Additional 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>26</sup> resulting in an annual industry-wide burden of **240 hours**.<sup>27</sup>

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<sup>19</sup>  $228 \times 2 = 456$ .

<sup>20</sup>  $120 \times 25 = 3,000$ .

<sup>21</sup>  $66,384 + 240 \text{ hours} \times 1 \text{ respondent} + 204 \text{ hours} \times 1 \text{ respondents} + 228 \text{ hours} \times 2 \text{ respondents} + 120 \text{ hours} \times 25 \text{ respondents} = 70,284 \text{ hours per year}$ . The Commission also estimated initial burdens of 50 hours, 35 hours, 25 hours, and 20 hours, respectively, for these additional requirements, but as there are no new firms subject to the requirements since the last submission, there are no initial burdens.

<sup>22</sup> See 17 CFR 240.17a-5(a)(1)(iii) and (iv) .

<sup>23</sup>  $2,089 \text{ respondents} \times 4 \text{ responses per year} \times 12 \text{ hours per response} = 100,272 \text{ hours}$ .

<sup>24</sup>  $958 \text{ respondents} \times 12 \text{ responses per year} \times 12 \text{ hours per response} = 137,952 \text{ hours}$ .

<sup>25</sup>  $100,272 \text{ hours} + 137,952 \text{ hours} = 238,224 \text{ hours per year}$ .

<sup>26</sup>  $4 \text{ hours} \times 12 \text{ responses per year} = 48 \text{ hours per respondent}$ .

<sup>27</sup>  $48 \text{ hours per respondent} \times 5 \text{ respondents} = 240 \text{ hours per year}$ .

*ANC Additional 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>28</sup> resulting in an annual industry-wide burden of **160 hours.**<sup>29</sup>

*ANC Supplemental Annual Reports:* The Commission estimates that the average amount of time necessary to prepare and file the required supplemental annual reports is approximately 40 hours per year. As a result, the annual industry-wide burden associated with this requirement is approximately **200 hours.**<sup>30</sup>

**Broker-Dealer Annual Reports:** As stated above, paragraph (d) of Rule 17a-5 requires most broker-dealers to file annual reports, including a financial report and either a compliance report or an exemption report, as well as reports prepared by an independent public accountant covering the financial report and the compliance report or exemption report. Part III of Form X-17A-5 is the cover page for the annual reports. Approximately 3,218 broker-dealers filed annual reports under paragraph (d) for the 12 months ended December 31, 2022.<sup>31</sup> The Commission received approximately 1,559 filings of those reports in paper and approximately 1,659 electronically via EDGAR. The reporting burden associated with Part III of Form X-17A-5 is estimated to be approximately 12 hours per year,<sup>32</sup> resulting in an annual industry-wide burden of approximately **38,616 hours.**<sup>33</sup>

A broker-dealer that does not claim it was exempt from Rule 15c3-3 throughout the fiscal year must file a compliance report with the Commission. As of December 31, 2022, there were approximately 147 carrying broker-dealers that must comply with Rule 15c3-3 and therefore must file a compliance report. The Commission estimates that it takes such a firm approximately 60 hours to prepare the financial report and the compliance report, resulting in an annual industry-wide burden of approximately **8,820 hours.**<sup>34</sup>

A broker-dealer that claimed it was exempt from Rule 15c3-3 throughout the fiscal year must file an exemption report with the Commission. As of December 31, 2022, approximately 3,071 broker-dealers filed exemption reports. The Commission estimates that it takes a broker-dealer claiming an exemption from Rule 15c3-3 approximately 7 hours to prepare its financial report and exemption report, resulting in an annual industry-wide burden of approximately **21,497 hours.**<sup>35</sup>

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<sup>28</sup> 8 hours x 4 responses per year = 32 hours per respondent.

<sup>29</sup> 32 hours per respondent x 5 respondents = 160 hours per year.

<sup>30</sup> 40 hours per respondent x 5 respondents = 200 hours per year.

<sup>31</sup> This filing includes Form X-17A-5 Schedule I and Form X-17A-5 Part III.

<sup>32</sup> 12 hours x 1 response per year = 12 hours per respondent.

<sup>33</sup> 12 hours per respondent x 3,218 respondents = 38,616 hours per year.

<sup>34</sup> 60 hours per respondent x 147 respondents = 8,820 hours per year.

<sup>35</sup> 7 hours per respondent x 3,071 respondents = 21,497 hours per year.



Paragraph (d)(6) of Rule 17a-5 requires SIPC member broker-dealers to file a copy of the annual reports with SIPC. According to SIPC's 2021 annual report, there were approximately 3,404 SIPC members. The Commission estimates that it takes a broker-dealer approximately 30 minutes (or 0.5 hours) to file the annual reports with SIPC, resulting in an annual industry-wide third-party reporting burden of approximately **1,702 hours**.<sup>36</sup>

**SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms:** As stated above, 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>37</sup> Commission staff estimates that it takes a broker-dealer approximately 5 hours to file these forms with SIPC. As stated above, according to SIPC's 2021 annual report, there were approximately 3,404 SIPC members, resulting in an estimated annual industry-wide burden of approximately **17,020 hours**.<sup>38</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>39</sup>

The Commission estimates that it received approximately 168 statements regarding the independent public accountant during 2022. It further estimates that 8 of these statements were from carrying or clearing broker-dealers, and 160 of these statements were from broker-dealers that neither carry customer accounts nor clear transactions. The Commission estimates that it takes a carrying or clearing broker-dealer approximately 10 hours, and a broker-dealer that neither carries customer accounts nor clears transactions approximately 2 hours, to file the statement regarding the independent public accountant with the Commission, resulting in an annual burden of approximately **80 hours**<sup>40</sup> for non-carrying, non-clearing broker-dealers and for carrying and clearing firms approximately **320 hours**.<sup>41</sup>

**Notice of Replacement of 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>42</sup> The estimated ongoing burden that may occur once over a three year period associated with this requirement is approximately 2 hours, or approximately 0.67 hours on an annualized basis.<sup>43</sup> The Commission

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<sup>36</sup> .5 hours per respondent x 3,404 respondents = 1,702 hours per year.

<sup>37</sup> See 17 CFR 240.17a-5(e)(4).

<sup>38</sup> 5 hours x 3,404 broker-dealers = 17,020 hours.

<sup>39</sup> See 17 CFR 240.17a-5(f)(2). For most broker-dealers, the engagement with their independent public accountant is of a continuing nature, and in that case, an annual filing is not required.

<sup>40</sup> 10 hours per respondent x 8 respondents = 80 hours per year.

<sup>41</sup> 2 hours per response x 160 respondents = 320 hours.

<sup>42</sup> See 17 CFR 240.17a-5(f)(3).

<sup>43</sup> 2 hours / 3 years = 0.67 hours per respondent per year.

estimates that it received approximately 435 of these notices for calendar year 2022, resulting in a burden of approximately **291 hours** on an annualized basis.<sup>44</sup>

**Change of Fiscal Year:** As stated above, under paragraph (n) of Rule 17a-5, a broker-dealer must notify the Commission if it changes its fiscal year. Based on staff experience, the Commission estimates that 75 broker-dealers will change their fiscal year each year. The Commission estimates that it takes a broker-dealer approximately 10 minutes to provide this notice to the Commission. As a result, each firm is estimated to have an annual reporting burden of approximately 0.167 hours,<sup>45</sup> resulting in an annual industry-wide burden of approximately **13 hours**.<sup>46</sup>

**Total Industry-Wide Burden:** The Commission therefore estimates that the total industry-wide burden associated with Rule 17a-5 is approximately **397,467 hours** per year. The burden is 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	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	461	12	0.00	0.00	12.00	12.00	144.00	66,384	0
FOCUS Report Part II: Non-Model Broker-Dealer SBSBs	Reporting	1	12	0.00	0.00	20.00	20.00	240	240	0
FOCUS Report Part II: Non-Model Broker-Dealer MSBSPs	Reporting	1	12	0.00	0.00	17.00	17	204	204	0
FOCUS Report Part II: ANC Broker-Dealer SBSBs	Reporting	2	12	0.00	0.00	19.00	19	228	456	0
FOCUS Report Part II: Non-Model Stand-alone Broker-Dealers with SBS Activities	Reporting	25	12	0.00	0.00	10.00	10	120	3,000	0
FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers-Quarterly	Reporting	2,089	4	0.00	0.00	12.00	12.00	48.00	100,272	895
FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers-Monthly	Reporting	958	12	0.00	0.00	12.00	12.00	144.00	137,952	895
ANC Supplemental Monthly Reports	Reporting	5	12	0.00	0.00	4.00	4.00	48.00	240	0
ANC Supplemental Quarterly Reports	Reporting	5	4	0.00	0.00	8.00	8.00	32.00	160	0
ANC Supplemental Annual Reports	Reporting	5	1	0.00	0.00	40.00	40.00	40.00	200	0
Annual Audited Reports	Reporting	3,218	1	0.00	0.00	12.00	12.00	12.00	38,616	895
Compliance Report	Reporting	147	1	0.00	0.00	60.00	60.00	60.00	8,820	0

<sup>44</sup> 0.67 hours per year x 435 respondents = 291 hours per year.

<sup>45</sup> 10 minutes / 60 minutes = 0.1667 hours.

<sup>46</sup> 0.167 hours per respondent x 75 respondents = 13 hours (rounded up from 12.75).

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	G. Total Annual Burden Per Entity [F * B]	Total Industry Burden [G * A]	Small Business Entities Affected
Exemption Report	Reporting	3,071	1	0.00	0.00	7.00	7.00	7.00	21,497	895
SIPC Annual Reports	Third-Party Disclosure	3,404	1	0.00	0.00	0.50	0.50	0.50	1,702	895
Annual General Assessment Reconciliation or Exclusion from Membership Forms	Third-Party Disclosure	3,404	1	0.00	0.00	5.00	5.00	5.00	17,020	895
Statement Regarding Independent Public Accountant - Carrying or Clearing Broker-Dealer	Reporting	8	1	0.00	0.00	10.00	10.00	10.00	80	0
Statement Regarding Independent Public Accountant - Non-Carrying, Non-Clearing Broker-Dealer	Reporting	160	1	0.00	0.00	2.00	2.00	2.00	320	112
Notice of Replacement of Accountant	Reporting	435	1	0.00	0.007	2.00	0.67	0.67	291	30
Notice of Change of Fiscal Year End	Reporting	75	1	0.00	0.00	0.17	0.17	0.17	13	23
<b>TOTAL HOUR BURDEN</b>									<b>397,467</b>	

### 13. Costs to Respondents

Those requirements that are expected to impose a cost burden to respondents are discussed below.

**ANC Supplemental Reports:** Paragraph (a)(5) and paragraph (k) of Rule 17a-5 impose monthly, quarterly, and annual reporting requirements on ANC broker-dealers. The Commission receives these reports via email, EDGAR (annual reports) or firm-specific systems, and therefore there are no postage costs associated with the requirements.

**Annual Reports:** Annual reports under paragraph (d) of Rule 17a-5 must be filed with the Commission at the Commission's principal office and to the regional office of the Commission for the region in which the broker-dealer has its principal place of business or the annual reports may be filed electronically with the Commission. Reports that are filed electronically on EDGAR will be received by both the Commission's principal and regional offices. The annual reports must also be filed with the broker-dealer's DEA and with SIPC if the broker-dealer is a member of SIPC. Broker-dealers currently generally file the annual reports with their DEA and with SIPC electronically. The Commission estimates that postage costs to comply with paragraph (d) of Rule 17a-5 for firms that file with the Commission in paper impose an annual cost of approximately \$9.95 per mailing per respondent, resulting in an annual cost to mail the reports to the Commission's principal office and to the regional office of the

Commission for the region in which the broker-dealer has its principal place of business of \$19.90 per response.<sup>47</sup> For calendar year 2022, approximately 1,559 broker-dealers filed their annual reports in paper with the Commission<sup>48</sup>, resulting in an estimated annual industry-wide cost of approximately **\$31,022** per year.<sup>49</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 with its annual reports as well as an accountant's reports based on examinations of its financial report and compliance report. For the year ended December 31, 2022, the Commission estimates that approximately 147 broker-dealers filed compliance reports. The Commission estimates that the cost associated with the independent public accountant's examinations of the firm's financial report and compliance report will be, on average, approximately \$150,000 per broker-dealer per year, resulting in an industry-wide annual reporting cost of approximately **\$22,050,000**.<sup>50</sup>

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 with its annual reports as well as an accountant's reports based on an examination of its financial report and a review of its exemption report. For the year ended December 31, 2022, the Commission estimates that approximately 3,071 broker-dealers filed exemption reports. The Commission estimates that the cost associated with the independent public accountant's examination of the firm's financial report and review of the exemption report will be, on average, approximately \$3,000 per broker-dealer per year, resulting in an industry-wide annual reporting cost of approximately **\$9,213,000**.<sup>51</sup>

**SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Form:** Under paragraph (e)(4) of Rule 17a-5, broker-dealers must file with SIPC a report on the SIPC annual general assessment reconciliation or exclusion from membership forms. These items may be filed with SIPC either by mail or via email. The Commission estimates that postage costs to send these items by mail would impose an annual cost of 53 cents per firm. The Commission estimates that each year, 3,404 firms will file with SIPC a report on the SIPC annual general assessment reconciliation or exclusion from membership form and that

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<sup>47</sup> Currently, a priority mail flat rate legal sized envelope costs \$9.95, based on costs obtained on the U.S. Postal Service website, available at [www.usps.gov](http://www.usps.gov).  $\$9.95 \times 2 = \$19.90$ . These mailing cost estimates also account for the requirement that paper filers have to file with Commission headquarters and also with the Commission's appropriate regional office.

<sup>48</sup> The costs of paper filing incurred by 1,559 respondents, totaling \$31,022 was averaged over the entire group of 3,218 respondents, which resulted in an annual cost of \$9.64 per respondent.

<sup>49</sup>  $\$19.90$  per firm x 1,559 broker-dealers = \$31,022 per year (based on average cost of \$9.64 per respondent per year).

<sup>50</sup>  $\$150,000$  per year x 147 carrying broker-dealers = \$22,050,000.

<sup>51</sup>  $\$3,000$  per year x 3,071 non-carrying broker-dealers = \$9,213,000.

approximately half of these will be filed in paper, for a total annual industry-wide cost of approximately **\$902**.<sup>52</sup>

**SIPC Annual Reports:** The Commission estimates \$0 cost burden for the 3,404 broker-dealers that are members of SIPC to comply with paragraph (d)(6) of Rule 17a-5, because these firms file the annual reports with SIPC electronically.<sup>53</sup>

**Statement Regarding Independent Public Accountant and Notice of Replacement of Accountant:** These statements and notices must be filed with the Commission at its principal office in Washington, DC; the Commission's office for the region in which the broker-dealer's principal place of business is located; and the principal office of the broker-dealer's DEA. Broker-dealers file these items with their DEA electronically, and they may send them to the Commission either in paper or electronically. 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 53 cents per response for those that are filed in paper. The Commission estimates that there are 603<sup>54</sup> responses, and that approximately 160 of them are filed in paper. Further, the Commission estimates that approximately half of the paper filings (or a total of 80) are statements regarding the independent public accountant (of which 8 are submitted by clearing or carrying broker-dealers and 72 are submitted by non-clearing and non-carrying broker-dealers). The Commission also estimates that the remaining paper filings, approximately 80, are notices of the replacement of the accountant. This results in \$4 for 8 paper statements, \$38 for 72 paper statements, and \$42 for 80 paper notices, for an annual industry-wide cost of approximately **\$84**.<sup>55</sup>

**Notice of Change of Fiscal Year End:** The Commission estimates that postage costs to comply with the requirement to notify the Commission when a firm changes its fiscal year impose a cost of 53 cents per firm that sends the notice in paper. The Commission estimates that 75 firms send the notice in paper each year, resulting in an annual estimated industry-wide cost of **\$40**.<sup>56</sup>

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<sup>52</sup> 3,404 respondents / 2 = 1,702 paper filers. \$0.53 per year x 1,702 paper filers = \$902 per year (rounded down from \$902.06). The costs of paper filing incurred by 1,702 respondents, totaling \$902 was averaged over the entire group of 3,404 respondents, which resulted in an annual cost of \$0.265 per respondent.

<sup>53</sup> 3,404 respondents x \$0.53 per year = \$1,804 (rounded down from \$1,804.12).

<sup>54</sup> The total number of respondents filing statements regarding independent public accountant and filing notices of replacement of public accountant totals: 8 + 160 + 435 = 603 respondents.

<sup>55</sup> \$0.53 per response x 8 paper filings (Statement regarding Independent Public Accountant, Carrying/Clearing firm) = \$4 (rounded down from \$4.24); \$0.53 per response x 72 paper filings (Statement regarding Independent Public Accountant, Non-Carrying/Non-Clearing firm) = \$38 (rounded down from \$38.16); \$0.53 x 80 paper filings (Notice of Replacement of Public Accountant) = \$42 (rounded down from \$42.4). Total annual industry cost for all paper filings of statements and notices: \$4 + \$38 + \$42 = \$84. The cost of paper filings for Statement regarding Independent Public Accountant, Non-Carrying/Non-Clearing firm) of \$38 was averaged over all 160 respondents (for annual cost per respondent of \$0.24) and the cost of paper filings for the Notice of Replacement of Public Accountant of \$42 was averaged over 435 respondents (for annual cost per respondent of \$0.097).

<sup>56</sup> \$0.53 per year x 75 broker-dealers = \$40 (rounded up from \$39.75).

**Total Industry Cost Burden:** Therefore, the total industry-wide dollar cost burden associated with Rule 17a-5 is estimated to be **\$31,295,048**. The burden is summarized in the table below.

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	5	12	\$0	\$0	\$0	\$0	\$0	\$0	0
ANC Supplemental Quarterly Reports	Reporting	5	4	\$0	\$0	\$0	\$0	\$0	\$0	0
ANC Supplemental Annual Reports	Reporting	5	1	\$0	\$0	\$0	\$0	\$0	\$0	0
Annual Reports	Reporting	1,559	1	\$0	\$0	\$19.90	\$19.90	\$19.90	\$31,022.10	895
Rule 17a-5(d)(3): Compliance Report	Reporting	147	1	\$0	\$0	\$150,000.00	\$150,000.00	\$150,000.00	\$22,050,000	0
Rule 17a-5(d)(4): Exemption Report	Reporting	3,071	1	\$0	\$0	\$3,000.00	\$3,000.00	\$3,000.00	\$9,213,000	895
SIPC Annual Reports	Third-Party Disclosure	3,404	1	\$0	\$0	\$0.	\$0	\$0	\$0	895
SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms	Third-Party Disclosure	1,702	1	\$0	\$0	\$0.53	\$0.53	\$0.53	\$902	895
Statement Regarding Independent Public Accountant Carrying or Clearing Broker-Dealer	Reporting	8	1	\$0	\$0	\$0.53	\$0.53	\$0.53	\$4	0
Statement Regarding Independent Public Accountant – Non-Carrying, Non-Clearing Broker-Dealer	Reporting	72	1	\$0	\$0	\$0.53	\$0.53	\$0.53	\$38	72
Notice of Replacement of Accountant	Reporting	80	1	\$0	\$0	\$0.53	\$0.53	\$0.53	\$42	73
Notice of Change in Fiscal Year	Reporting	75	1	\$0	\$0	\$0.53	\$0.53	\$0.53	\$40	23
<b>TOTAL COST</b>									<b>\$31,295,048</b>	

#### 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 prior hour burden was 336,032 hours. The current burden of 397,467 hours represents an increase of approximately 61,435 hours. The hour burden estimate for the filing of Part IIA of Form X-17A increased by 83,904 hours due to an increase in the Commission's estimate of the number of broker-dealers that filed Part IIA of Form X-17A-5 monthly (instead

of quarterly)<sup>57</sup> and a decrease in the Commission’s estimate of the number of firms that filed Part IIA of Form X-17A-5 quarterly<sup>58</sup> for the year ended December 31, 2022.<sup>59</sup> The estimate for the statement regarding the independent public accountant decreased from 11,030 hours to 400 hours, a decrease of 10,630 hours, due to the fact that the Commission’s estimate of the number of firms that filed the statement decreased from 3,675 firms to 168 firms. Other significant decreases in burden are attributable to a decrease in the estimate of the number of broker-dealers filing annual reports from 3,679 firms to 3,218 firms, a decrease in the estimate of the number of ANC broker-dealers from 10 to 5, and a decrease in the estimate of the number of broker-dealers that are SIPC members from 3,689 to 3,404.

The prior cost burden was \$35,287,127 (rounded down). The current burden of \$31,295,048 represents a decrease of \$3,992,081. The cost burden has changed largely due to the fact that many submissions that were formerly made in paper are now made electronically. ANC firms now file their reports electronically, so that the number of firms that file their reports in paper has decreased from 10 to 0; the number of annual reports filed in paper has decreased from 3,689 to 1,559; the number of compliance reports filed has decreased from 175 to 147; the annual reports are now filed with SIPC electronically, so that the number filed in paper has decreased from 3,624 to 0; the number of SIPC Annual General Assessment Forms filed in paper has decreased from 3,689 to 1,702; and the number of Statements Regarding the Independent Public Accountant filed in paper has decreased from 3,675 to 150. The change in burden is also attributable to the fact that postage costs have increased. The cost of a first-class stamp has increased from 50 cents to 53 cents and the cost of a priority mail flat rate legal sized envelope has increased from \$7.75 to \$9.95.

The changes in hour and cost burdens are summarized in the table below.

<b>Name of Information Collection</b>	<b>Current Annual Industry Burden/Cost</b>	<b>Revised Annual Industry Burden/Cost</b>	<b>Change in Burden/Cost</b>	<b>Reason for Change</b>
FOCUS Report Part II: Non-Model Clearing Broker-Dealers	66,240	66,384	144	Change in staff estimate of entities impacted
FOCUS Report Part II: Non-Model Broker-Dealer SBSDs	1,540	240	(1,300)	Change in staff estimate of entities impacted.
FOCUS Report Part II: Non-Model Broker-Dealer MSBSPs	216	204	(12)	Change in staff estimate of entities impacted.
FOCUS Report Part II: ANC Broker-Dealer SBSDs	2,363	456	(1,907)	Change in staff estimate of entities impacted.
FOCUS Report Part II: Non-Model Stand-alone Broker-Dealers with SBS Activities	3,167	3,000	(167)	Change in staff estimate of entities impacted.
FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers-quarterly	154,320	100,272	(54,048)	Change in staff estimate of entities impacted.

<sup>57</sup> Resulting in an increase of 137,952 hours (see table below).

<sup>58</sup> Resulting in a decrease of 54,048 hours (see table below).

<sup>59</sup> 137,952 – 54,048 = 83,904.

FOCUS Report Part IIA: Non-Model Non-Clearing Broker-Dealers-monthly	0	137,952	137,952	Change in number of annual responses.
ANC Supplemental Monthly Reports	480	240	(240)	Change in staff estimate of entities impacted.
ANC Supplemental Quarterly Reports	320	160	(160)	Change in staff estimate of entities impacted.
ANC Supplemental Annual Reports	400	200	(200)	Change in staff estimate of entities impacted.
Annual Audited Reports	44,148	38,616	(5,532)	Change in staff estimate of entities impacted.
Rule 17a-5(d)(3): Compliance Report	10,500	8,820	(1,680)	Change in staff estimate of entities impacted.
Rule 17a-5(d)(4): Exemption Report	21,007	21,497	490	Change in staff estimate of entities impacted.
SIPC Annual Reports	1811	1,702	(109)	Change in staff estimate of entities impacted.
Annual General Assessment Reconciliation or Exclusion from Membership Forms	18,445	17,020	(1,425)	Change in staff estimate of entities impacted.
Statement Regarding Independent Public Accountant - Carrying or Clearing Broker-Dealer	4600	80	(4,520)	Change in staff estimate of entities impacted.
Statement Regarding Independent Public Accountant - Non-Carrying, Non-Clearing Broker-Dealer	6,430	320	(6,110)	Change in staff estimate of entities impacted.
Notice of Replacement of Accountant	34	291	257	Change in staff estimate of entities impacted.
Change of Fiscal Year End	13	13	0	n/a
ANC Supplemental Monthly Reports	\$60	\$0	(\$60)	Change in staff estimate of entities impacted.
ANC Supplemental Quarterly Reports	\$20	\$0	(\$20)	Change in staff estimate of entities impacted.
ANC Supplemental Annual Reports	\$5	\$0	(\$5)	Change in staff estimate of entities impacted.
Annual Audited Reports	\$28,512	\$31,022	\$2,510	Change in staff estimate of entities impacted; change in postal rates.
Rule 17a-5(d)(3): Compliance Report	\$26,250,000	\$22,050,000	(\$4,200,000)	Change in staff estimate of entities impacted.
Rule 17a-5(d)(4): Exemption Report	\$9,003,000	\$9,213,000	\$210,000	Change in staff estimate of entities impacted.
SIPC Annual Reports	\$1,811	\$1804	\$0	SIPC now receives these electronically.
SIPC Annual General Assessment Reconciliation Report or Exclusion from Membership Forms	\$1,845	\$902	(\$943)	Change in staff estimate of entities impacted.
Statement Regarding Independent Public Accountant (Carrying or Clearing Broker-Dealer)	\$230	\$4	(\$226)	Change in staff estimate of entities impacted; change in postal rates.
Statement Regarding Independent Public Accountant (Non Carrying, Non Clearing Broker-Dealers)	\$1608	\$38	(\$1570)	Change in staff estimate of entities impacted; change in postal rates.



Notice Replacement of Public Accountant	\$0	\$42	\$42	Change in staff estimate of entities impacted; change in postal rates.
Notice of Change in Fiscal Year	\$38	\$40	\$2	Change in postal rates

**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 versions of Form X-17A-5. 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.