

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act -Information Collection Submission for**  
**Rule 17Ab2-1 and Form CA-1**  
**(OMB Control No. 3235-0195)**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

As a result of the paperwork crisis that occurred in the late 1960s, during which the number of securities transactions exceeded the securities industry's capacity to process those transactions, Congress enacted the Securities Acts Amendments of 1975,<sup>1</sup> which amended the Securities Exchange Act of 1934 (“Exchange Act”) in order to establish a national system for the prompt and accurate clearance and settlement of securities transactions.

As part of those amendments, Congress authorized and directed the Securities and Exchange Commission (the “Commission”) to oversee clearing agencies, which play a central role in the development and functioning of the national clearance and settlement system. As part of this directive, Section 17A(b)(1) of the Exchange Act requires any clearing agency operating in interstate commerce to register with the Commission, and Section 17A(b)(2) of the Exchange Act authorizes the Commission to promulgate rules to establish the process for clearing agencies to submit their registration application for consideration by the Commission, which would include an applicant’s rules and any other information that the Commission deems necessary or appropriate. Section 17A(b)(3) of the Exchange Act prohibits the Commission from registering a clearing agency unless the Commission is able to determine that the clearing agency meets certain standards specified in that section, such as the ability to enforce the clearing agency’s rules against its members.

To implement Section 17A(b) of the Exchange Act, the Commission adopted Rule 17Ab2-1 and Form CA-1 on November 3, 1975. Rule 17Ab2-1 requires that any entity applying to be a registered clearing agency, requesting an exemption from registration, or amending an existing registration file a Form CA-1 with the Commission. The rule requires amendments of certain portions of Form CA-1 if they have become inaccurate, misleading, or incomplete.

The Commission adopted Rule 17Ab2-1 and Form CA-1 pursuant to authority found in Sections 2, 17, 17A, 19, and 23(a) of the Exchange Act (15 U.S.C. Sections 78b, 78q, 78q-1, 78s, and 78w, respectively).

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

The Commission uses the information disclosed on Form CA-1 to (a) determine whether an applicant meets the standards for registration or an exemption as set forth in the Exchange Act, (b) enforce compliance with the Exchange Act’s registration requirements, and (c) collect information about specific clearing agencies for compliance and investigatory purposes. Without

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<sup>1</sup> Pub. L. No. 94-29, 89 Stat. 97 (June 4, 1975).

Rule 17Ab2-1, the Commission could not perform these duties as statutorily required.

### **3. Consideration Given to Information Technology**

Form CA-1 is officially submitted to the Commission as a paper (hardcopy) document. The Commission has proposed permitting applicants to file Form CA-1 through the Commission's EDGAR system under Release No. 33-11176 (Mar. 22, 2023). Nonetheless, applicants utilize various computer information systems to compile information sought by Form CA-1 such as financial statements and account statements.

### **4. Duplication**

There is no duplication of the information that the Commission obtains through Form CA-1.

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

Clearing agencies are generally sophisticated entities that are owned by their participants, namely banks and broker-dealers. Due to the nature of clearing agency activities as a risk mitigation tool, clearing agencies are likely to be well-capitalized, large operations, or affiliates of such entities. Therefore, no information is requested from small businesses.

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

The information collected by Form CA-1 is necessary for the Commission to make its statutorily-required determination that an applicant for registration meets the statutory standards in Section 17A(b)(3) of the Exchange Act. Some of this information is not already available to the general public, and therefore would not be attainable by the Commission unless provided by the applicant.

### **7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

Form CA-1 requires that an applicant file four copies with the Commission, making this Form inconsistent with the guidelines in 5 CFR 1320.5(d)(2)(iii). The special circumstance that explains why an applicant is required to file four copies is that the Form CA-1 has not been amended since 1975 and four copies were likely appropriate for dissemination within the Commission at the time of the form's adoption. Note that under Release No. 33-11176 (Mar. 22, 2023), the Commission has proposed eliminating the requirement for any paper copies.

### **8. Consultations Outside the Agency**

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

### **9. Payment or Gift**

No payments or gifts have been or will be made to respondents.

## 10. Confidentiality

Form CA-1 does not require applicants to reveal confidential information in order to form the basis of the Commission's determination. However, some Form CA-1 filings may contain sensitive information that may be considered trade secrets or commercial information, which the applicant may include in its Form CA-1. In particular, such information may be included in responses to items 5(c)(ii) and 5(d)(ii) (relating to potential exposure to losses) and the exhibits required by items 20 and 21 (security measures and safeguards), as well as any statement under Exhibit S of the Form CA-1 that requires an applicant to demonstrate that an exemption from registration would be consistent with the statutory standards. Consistent with the requirements of 17 CFR § 240.24b-2, an applicant may submit a redacted version of a completed Form CA-1 with sensitive information deleted, in addition to the original version filed with the Commission, and the Commission has made the redacted version available for public review or comment alongside a Federal Register notice of the application. Applicants routinely request that sensitive information submitted on Form CA-1 be given confidential treatment (and therefore not revealed to the public) pursuant to 17 CFR § 240.24b-2.

A Privacy Analysis Worksheet has been completed. The Form CA-1 requires a human being to attest to its accuracy; therefore, the name, job title, and contact information of the person making the attestation is collected.

## 11. Sensitive Questions

The Information Collection does not collect information about individuals, therefore, a PIA, SORN, and PAS are not required.

## 12. Information Collection Burden

Rule	Burden Type	Number of Respondents	Number of Annual Responses Per Respondent	Time Per Response (Hours)	Total Burden Per Burden Type (Hours)
<b>Rule 17Ab2-1 (Initial Form CA-1 Filings)</b>	Initial Reporting	1	1	340	340
<b>Rule 17Ab2-1 (Periodic Form 1 Amendments)</b>	Periodic Reporting	1	1	60	60
<b>Total Aggregate Burden</b>					<b>400</b>

The Commission receives approximately one Form CA-1 per year pursuant to Rule 17Ab2-1. The Commission staff estimates that the Form CA-1 would take approximately 340 hours to complete and submit for approval. This burden reflects the applicant's staff time (i.e. internal labor costs) to prepare and submit the Form to the Commission. Additionally, an applicant or a registrant must file amendments to Form CA-1, which is required when certain information contained in an applicant's or registrant's Form CA-1 becomes inaccurate, misleading, or incomplete. The time burden related to preparing and submitting an amendment widely varies depending on the nature of the information that needs to be updated, but staff estimates that the amendment burden would involve 60 hours of an applicant or registrant's staff time. Commission staff estimates that there is now on average one amendment per year. Consequently, the aggregate annual burden associated with compliance with Rule 17Ab2-1 and Form CA-1 is approximately 400 hours (340 + 60).

The Commission staff estimates that, in order to complete a new Form CA-1, 300 hours of a Compliance Attorney's time (estimated at \$406 per hour<sup>1</sup>) and 40 hours of a Chief Compliance Officer's time (estimated at \$589 per hour) would be required, resulting in an internal cost of compliance of \$145,360 for a new applicant. For an amendment of an existing Form CA-1, the staff estimates that 40 hours of a Compliance Attorney's time and 20 hours of a Chief Compliance Officer's time would be required, resulting in an internal cost of compliance of \$28,020. Therefore, the total annual internal cost of compliance is estimated to be approximately \$173,380.

### 13. Cost to Respondents

Rule	Burden Type	Number of Respondents	Number of Annual Responses Per Respondent	Cost per Response (\$)
<b>Rule 17Ab2-1 (Initial Form CA-1 Filings)</b>	Initial Reporting	1	1	\$23,200

As noted in Question 12, the Commission receives approximately one Form CA-1 filing, and one Form CA-1 amendment per year. The main cost to respondents is associated with drafting, collecting, providing, and maintaining the information sought by Form CA-1. The external costs associated with such activities may include fees charged by outside lawyers and accountants to assist the registrant with any novel questions raised by collecting and preparing the information sought by the Form CA-1 (although such

<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 to account for bonuses, firm size, employee benefits, and overhead, updated for 2022.

consultations are not required by the Commission). For a new Form CA-1, Commission staff estimates the cost of 45 hours of an Attorney's time (estimated at \$462 per hour) and 10 hours of a Senior Accountant's time (estimated at \$241), which would result in an aggregate external cost of approximately \$23,200 per year. Commission staff is not estimating any external costs for an amendment to Form CA-1 because the existence of novel questions is less likely.

**14. Costs to Federal Government**

The annual cost to the Federal Government is zero because the rule only requires only normal full-time employees to review the materials.

**15. Changes in Burden**

Commission staff changed its cost burden estimate to reflect the most recent updated wage and salary information for the industry. The estimated cost burden increased from \$21,090 to \$23,200.

**16. Information Collection Planned for Statistical Purposes**

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

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

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

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

This collection complies with the requirements in 5 CFR 1320.9.

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

This collection does not involve statistical methods.