

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-22

OMB Control No. 3235-0196
Proposed Partial Revision

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 1975,¹ 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. In 1980, the Commission adopted Rule 17a-22 (17 CFR 240.17a-22) under the Exchange Act pursuant to authority in Sections 2, 17, 17A, and 23(a) of the Exchange Act (15 U.S.C. Sections 78b, 78q, 78q-1, and 78w(a), respectively). The rule requires registered clearing agencies to file with the Commission copies of any materials (such as manuals, notices, circulars, bulletins, lists, and periodicals) that it issues or makes generally available to its participants and other interested persons.

a. 2023 Proposed Amendment to Rule 17a-22

The Commission has proposed to amend Rule 17a-22 to: (i) replace the requirement to file supplementary materials with the Commission or an ARA in paper form with a requirement to post such materials on the clearing agency's internet website; and (ii) reduce the timeframe for compliance with the rule from 10 days to 2 business days for the posting requirement.² By replacing the paper filing requirement for registered clearing agencies with an electronic posting requirement via the clearing agency's internet website, the proposed amendment aligns with the Commission's larger-scale objective tied to its mission of enhancing the efficiency and effectiveness of its regulatory regime for registered clearing agencies under the Exchange Act.

Specifically, proposed Rule 17a-22 would require that within 2 business days after issuing, or making generally available, to its participants or other entities with whom it has a

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

² In consultation with the Federal Reserve, the Commission is proposing to remove the obligation to send an additional paper copy to a clearing agency's ARA from Rule 17a-22. If the supplemental materials are prominently posted on the clearing agency's internet website, all its regulatory authorities will have access to them, removing the need to file an additional paper copy. Separate from any requirements in Rule 17a-22, certain provisions in section 17A of the Exchange Act require notice to the ARA, and the proposed amendments to Rule 17a-22 do not affect those provisions. See, e.g., 15 U.S.C. 78q-1(b)(5)(C).

significant relationship, any material (including, for example, manuals, notices, circulars, bulletins, lists or periodicals) that is not otherwise required to be posted on its internet website pursuant to any requirement under section 19(b) of the Exchange Act or the rules thereunder, a registered clearing agency shall prominently post such material on its internet website.³

2. Purpose and Use of Information Collection

The Commission uses the information filed pursuant to Rule 17a-22 to determine whether a clearing agency (1) is implementing procedural or policy changes and, if so, to determine whether such changes are consistent with the purposes of Section 17A of the Exchange Act, and (2) has changed its rules without reporting the actual or prospective change to the Commission as required by Section 19(b) of the Exchange Act. Without Rule 17a-22, the Commission could not perform these duties as statutorily required.

3. Consideration Given to Information Technology

Rule 17a-22 requires registered clearing agencies to file three hard copies of any materials (such as manuals, notices, circulars, bulletins, lists, and periodicals) that it issues or makes generally available to its participants and other interested persons. The proposed Rule 17a-22 amendment would replace the requirement to file three hard copies with an electronic posting requirement to the clearing agencies website. The proposed amendment would better align with the clearing agencies current utilization of computer systems to identify and collect the required materials.

4. Duplication

Rule 17a-22 requires duplicate filings when the Commission is not a registered clearing agency's "appropriate regulatory agency."⁴ The proposed Rule 17a-22 amendment would remove the requirement to file duplicative filings.

5. Effect on Small Entities

No information is requested from small entities.

6. Consequences of Not Conducting Collection

If information were collected less frequently, the Commission's ability to monitor compliance of registered clearing agencies would be weakened.

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

³ See Exchange Act Release No. 33-11176 (Mar. 22, 2023) ("Electronic Submission of Certain Material Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report") ("Rule 17a-22 Proposing Release").

⁴ "Appropriate regulatory agency" is defined in Section 3(a)(22) of the Exchange Act, 15 U.S.C. 78a22.

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 issued the Rule 17a-22 Proposing Release to solicit comment on the collection of information requirements and associated paperwork burdens for proposed Rule 17a-22.⁵

Comments on Commission releases are generally received from registrants, investors, and other market participants. ~~In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges.~~ Any comments received on this proposed rulemaking are posted on the Commission's public website, and made available through <http://www.sec.gov/rules/proposed.shtml>. The Commission considers all comments received prior to publishing a final rule, and explains in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

9. Payment or Gift

There were no payments or gifts to respondents.

10. Confidentiality

Not applicable; no assurance of confidentiality is provided by Rule 17a-22.

11. Sensitive Questions

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

12. Information Collection Burden

a. Currently Approved Burden Estimate

Rule 17a-22 requires registered clearing agencies to file with the Commission copies of any materials (such as manuals, notices, circulars, bulletins, lists, and periodicals) that it issues or makes generally available to its participants and other interested persons. Thus, Rule 17a-22 imposes an ongoing reporting burden for registered clearing agencies.

The Commission receives on average approximately 840 responses per year pursuant to Rule 17a-22. This figure is based upon the most recent responses from seven active registered

⁵ See supra note 3.

clearing agencies for which the Commission has obtained data.⁶ The most active clearing agency sent the Commission on average approximately 720 responses annually and the least active sent on average less than fifty.⁷ We think that an average of 120 annual responses per active clearing agency is a reasonable figure. The Commission staff estimates that each response requires approximately .25 hours (fifteen minutes), which represents the time it takes for a staff person at the clearing agency to properly identify a document subject to the rule, print and make copies, and mail that document to the Commission. Thus, the total annual burden for all active clearing agencies is approximately 210 hours (7 active clearing agencies multiplied by 120 responses multiplied by .25 hours) and, on average, a total of approximately 30 hours (840 total responses multiplied by .25 hour, divided by 7 active clearing agencies) per year are expended by each respondent to comply with the rule.

b. Proposed Revision to Burden Estimate

The Commission recognizes that the proposed amendments to Rule 17a-22 would impose certain burdens on respondents. Although the scope of supplemental materials subject to Rule 17a-22 would not change, respondents would be required to prominently post certain supplemental materials on their internet websites within two business days after issuing, or making generally available, such materials to their participants or other entities with whom they have a significant relationship. Currently, respondents must file with the Commission three paper copies of certain supplemental materials issued, or made generally available, to their participants or other entities with whom they have a significant relationship within 10 days after issuing, or making generally available, such materials. In addition, when the Commission is not a respondent's ARA, the respondent must file at the same time one paper copy of the materials with its ARA.

While there may be a marginal reduction in burden hours associated with replacing the paper filing requirement under Rule 17a-22 with an electronic filing requirement via a registered clearing agency's website, the Commission believes that, for purposes of making a PRA burden estimate, the current baseline represents a reasonable estimate of the burden hours associated with filing supplemental materials. The Commission believes that the time required to compile and mail copies of supplemental materials would, on average, be equivalent to the time required to post these materials on a clearing agency's website such that they would be readily identifiable and accessible on the website. Moreover, the Commission believes that reducing the timeframe under Rule 17a-22 from 10 days to 2 business days would not increase the burden hours associated with compliance with Rule 17a-22. The Commission estimates that, on average, filing supplemental materials electronically via a registered clearing agency's internet website would not increase or decrease burden hours from the current baseline of 0.25 hours. Accordingly, the Commission believes that each registered clearing agency will continue to

⁶ There are nine registered clearing agencies, but only seven active clearing that are expected to submit filings pursuant to Exchange Act Rule 17a-22.

⁷ In recent years we have noticed variability in the number of aggregate filings and the number of filings per clearing agency received by the Commission each year. Accordingly, for purposes of the PRA, we are averaging the approximate number of filings received for 2017 (the last year for which we have compiled data) by the number of active clearing agencies.

expend a total of 30 hours per year to comply with Rule 17a-22.⁸ Thus, the Commission believes that the aggregate annual burden associated with compliance with Rule 17a-22 would continue to be 210 hours.⁹

Rule	Burden Type	Number of Respondents	Number of Annual Responses Per Respondent	Time Per Response (Hours)	Total Burden Per Burden Type (Hours)
Rule 17a-22 (Initial Form 1 Filings)	Periodic Reporting	7	120	.25	210
Total Aggregate Burden					210

13. Costs to Respondents

There are no capital or start-up costs and no ongoing operation and maintenance costs associated with this collection of information.

14. Costs to Federal Government

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

15. Changes in Burden

As previously discussed, proposed Rule 17a-22 creates new burdens for registered clearing agencies. Proposed changes made to the burdens are discussed in Section 1 (“Necessity of Information Collection”) and reflected in Section 12 (“Information Collection Burden”).

Summary of Proposed Changes in Burden Hours				
Name of Information Collection	Proposed Revised Annual Industry Burden	Annual Industry Burden Previously Approved	Proposed Change in Burden	Reason for Change
17a-22	210	210	0	The proposed amendments to Rule 17a-22 would not increase or decrease the burden hours from the current baseline of 0.25 hours. The Commission estimates that each registered clearing agency would continue to expend a total of 30 hours per year to comply.
TOTAL CHANGE			0	

⁸ 840 total responses x .25 hours / 7 active clearing agencies = 30 burden hours.

⁹ This figure was calculated as follows: 7 registered clearing agencies x 120 responses per clearing agency x .25 hours = 210 burden hours.

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.