

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-7

OMB Control No. 3235-0131

A. JUSTIFICATION

1. Necessity of Information Collection

Section 17(a)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) (“Exchange Act”) provides that broker-dealers registered with the Securities and Exchange Commission (“Commission”) must make and keep for prescribed periods, and furnish copies of, such records as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act. Pursuant to this authority, the Commission adopted Rules 17a-3 and 17a-4 (17 CFR 240.17a-3 and 17 CFR 240.17a-4). Rule 17a-3 requires broker-dealers to make certain records, including trade blotters, asset and liability ledgers, income ledgers, customer account ledgers, securities records, order tickets, trade confirmations, trial balances, and various employment related documents. Rule 17a-4 specifies the manner in which the records created in accordance with Rule 17a-3, and certain other records produced by broker-dealers, must be maintained. It also specifies the required retention periods for these records. In combination, Rules 17a-3 and 17a-4 require broker-dealers to create, and preserve in an easily accessible manner, a comprehensive record of each securities transaction they effect and of their securities business in general.

Paragraph (a)(1) of Exchange Act Rule 17a-7 (17 CFR 240.17a-7), “Records of non-resident brokers and dealers,” generally requires a non-resident broker-dealer (defined generally in section (d)(3) of the rule as a broker or dealer residing in, incorporated in, or with its principal place of business in any place not subject to the jurisdiction of the United States) registered or applying for registration pursuant to Section 15 of the Exchange Act to maintain in the United States complete and current copies of books and records required to be maintained or preserved pursuant to “any provision of any rule or regulation of the Commission” adopted under the Exchange Act, which would include Rules 17a-3 and 17a-4.

Paragraph (a)(2) of Rule 17a-7 generally requires a non-resident broker-dealer to furnish a written notice to the Commission specifying the place within the United States where the copies of the books and records are located.

Under paragraph (b) of Rule 17a-7, however, a broker-dealer is not required to maintain those books and records in the United States if: (1) the broker-dealer files with the Commission a written undertaking to furnish to the Commission, upon demand, copies of any of the books and records the broker-dealer is required to maintain or preserve (the undertaking must in the form specified in the rule); and (2) the broker-dealer furnishes to the Commission within 14 days after a written demand from the Commission complete and current copies of any books and records that are specified in the demand.

2. Purpose and Use of the Information Collection

The information contained in the records required to be maintained by broker-dealers subject to Rule 17a-7 is used by Commission examiners, representatives of the Commission, and self-regulatory organizations (“SROs”) to ensure that these broker-dealers are in compliance with the financial responsibility, antifraud, anti-manipulative, and other rules and regulations of the Commission and the SROs. The purpose of Rule 17a-7 is the protection of investors. If the Commission did not have access to that information, the Commission’s ability to oversee compliance with Exchange Act and SRO rules would be impaired.

3. Consideration Given to Information Technology

Rule 17a-4(f) permits broker-dealers to employ micrographic media or electronic recordkeeping systems to maintain records required to be preserved under Rule 17a-4. The records broker-dealers must preserve under Rule 17a-7 may be preserved using these types of storage media.

4. Duplication

Similar information is not available in another form.

5. Effect on Small Entities

The number and complexity of records required to be preserved pursuant to Rule 17a-7 will vary proportionately with the volume and complexity of each broker-dealer’s business. Accordingly, small businesses should not encounter any significant or disproportionate impact.

6. Consequences of Not Conducting Collection

If the Commission did not have access to the broker-dealer books and records outlined above, the Commission’s ability to oversee compliance of non-resident broker-dealers with Exchange Act and SRO rules would be impaired.

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

Other than the record retention requirement described below, there are no special circumstances, and the collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

Rule 17a-7 does not include a recordkeeping or retention requirement in the text of the rule. Instead, Rule 17a-7 generally requires a non-resident broker-dealer registered or applying for registration pursuant to Section 15 of the Exchange Act to maintain in the United States complete and current copies of books and records required to be maintained or preserved pursuant to “any provision of any rule or regulation of the Commission” adopted under the Exchange Act, which would include Rules 17a-3 and 17a-4. Rule 17a-3 requires broker-dealers to make and keep current certain records relating to their financial condition, communications, customer information, and employees. Rule 17a-4 requires broker-dealers to preserve, for

prescribed periods of time, the records required to be created under Rule 17a-3 and certain other Commission rules.

Under Rule 17a-4, broker-dealers are required to preserve for a period of not less than six years, the first two in an easily accessible place, blotters, ledgers, ledger accounts, and a securities record or ledger and certain other records. Further, broker-dealers must preserve for a period of not less than six years after the closing of any customer's account any account cards or records related to the terms and conditions of the opening and the maintenance of the account, as well as information related to the customer (e.g., name, tax identification number, address, telephone number, etc.), specified information related to recommendations made to retail customers, and a record of the date that each Form CRS was protected to each retail investor. Lastly each broker-dealer must preserve during the life of the enterprise and of any successor enterprise all partnership articles, articles of incorporation or charter, minutes books, stock certificate books, and various forms related to registration with the Commission.

The Commission believes that the extended retention periods are appropriate as they provide sufficient time for review of these records in connection with Commission inspections and investigations of SROs.

Additionally, while Rule 17a-7 contains a provision that requires non-resident broker-dealers to furnish to the Commission within 14 days after a written demand from the Commission complete and current copies of any books and records that are specified in the demand, the Commission does not make public such information. Further, (as discussed in Item 10 below) the Commission generally does not publish or make available information contained in any 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, subject only to the provisions of the Freedom of Information Act (5 U.S.C. 552) and the Commission's rules under the Freedom of Information Act (17 CFR 200.80(b)(4)(iii)).

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 was provided to respondents.

10. Confidentiality

The records required to be maintained by Rule 17a-7 and the notices and undertakings required to be furnished to the Commission are typically available only to the examination staffs of the Commission, state securities authorities, and SROs. Subject to the provisions of the Freedom of Information Act (5 U.S.C. 552) and the Commission's rules under the Freedom of

Information Act (17 CFR 200.80(b)(4)(iii)), the Commission does not generally publish or make available information contained in any 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 does not collect information about individuals, therefore, a PIA, SORN, and PAS are not required.

12. Burden of Information Collection

Based on staff experience, the Commission estimates that the average amount of time necessary to prepare and submit the documents required by Rule 17a-7 is approximately one hour per year per respondent. The Commission also estimates that there are approximately 53 non-resident broker-dealers, so that the total industry-wide reporting burden is approximately 53 hours per year. Assuming an average cost per hour of approximately \$344 for a compliance manager, the total internal cost of compliance for the respondents is approximately \$18,232 per year.¹

Rule	Burden Type	Number of Respondents	Number of Annual Responses Per Respondent	Time Per Response (Hours)	Total Burden Per Burden Type (Hours)
Rule 17a-7	Annual Reporting	53	1	1	53
Total Aggregate Burden					53

13. Costs to Respondents

Other than the internal compliance costs associated with the burden of information collection discussed in item 12 above, Rule 17a-7 does not impose any additional costs on respondents.

14. Costs to Federal Government

The government would not experience any new costs based on the extension of the recordkeeping and reporting required pursuant to Rule 17a-7. The information collected by the respondents would be reviewed only as part of an investigation or examination of a respondent,

¹ \$344 per hour for a compliance manager is from SIFMA's Management & Professional Earnings in the Securities Industry 2022, modified by Commission staff for an 1800-hour work-year, multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, and adjusted for inflation.

using current Commission staff and resources. In addition, the Commission does not routinely review the records kept by the respondents.

15. Changes in Burden

The annual hour burden has changed as a result of a change in the estimated number of respondents from 30 to 53. The change also results from a revised approach to determining the estimated number of respondents. Specifically, the revised estimate is based on data reported by broker-dealers on Form X-17A-5 (the “FOCUS Report”) regarding the country listed as the broker-dealer’s principal place of business. The table below summarizes the changes.

Name of Information Collection	Current Annual Industry Burden	Revised Annual Industry Burden	Change in Burden	Reason for Change
Rule 17a-7	30	53	23	Change in staff estimate of entities impacted as a result of a revised methodology for computing the number of entities impacted.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collected 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.