

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17a-4
OMB Control No. 3235-0279
Extension

A. JUSTIFICATION

1. Information Collection Necessity

All brokers and dealers in the ordinary course of their businesses need to maintain certain books and records reflecting, among other things, income and expenses, assets and liabilities, daily trading activity, and the status of customer and firm accounts. These books and records are, for the most part, standard and would be kept by any prudent individual engaging in a securities business.

The Commission is statutorily authorized by Sections 17(a)¹ and 23(a)² of the Securities Exchange Act of 1934 (“Exchange Act”) to promulgate rules and regulations regarding the maintenance and preservation of books and records of exchange members, brokers, and dealers (“broker-dealers”). Section 17(a)(1) provides in pertinent part:

“[all members of a national securities exchange and registered brokers and dealers] shall make and keep for prescribed periods 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].”

To standardize recordkeeping practices throughout the industry, the Commission, in 1940, adopted Rules 17a-3 and 17a-4 (one of the “Books and Records Rules”),³ which codified and specified minimum standards with respect to business records that broker-dealers must create and maintain. Rule 17a-3 requires exchange members, brokers and dealers to make and keep current certain records relating to a broker’s or dealer’s financial condition and operations. For example, broker-dealers are required to maintain, among other things, blotters containing an itemized daily record of all purchases and sales of securities; ledgers reflecting all assets and liabilities, income and expense, and capital accounts; a securities record or ledger reflecting separately for each security as of the clearance dates all “long” or “short” positions; a memorandum of each brokerage order; a memorandum of each purchase or sale of a security for the account of the broker-dealer; copies of confirmations; certain account holder information, as well as information regarding employees; and customer complaints, among other records.

Rule 17a-4, which is the subject of this Supporting Statement, requires broker-dealers to preserve, for prescribed periods of time, the records required to be created under Rule 17a-3 and

¹ 15 U.S.C. 78q(a).

² 15 U.S.C. 78w(a).

³ 17 CFR 240.17a-3 and 17 CFR 240.17a-4.

certain other Commission rules. In addition, Rule 17a-4 requires broker-dealers to preserve other records that may be created or received by the broker-dealer in the ordinary course of its business for prescribed periods of time.

On July 21, 2010, the Dodd-Frank Act was signed into law.⁴ Title VII of the Dodd-Frank Act (“Title VII”) established a new regulatory framework for the over-the-counter derivatives markets.⁵ Title VII was enacted, among other reasons, to provide for the registration and regulation of security-based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”), and create recordkeeping and reporting regimes for such entities. Section 764 of the Dodd-Frank Act added Section 15F to the Exchange Act, which directs the Commission to adopt rules governing reporting and recordkeeping for SBSDs and MSBSPs.⁶ Additionally, Section 17(a)(1) of the Securities Exchange Act of 1934 provides the Commission with authority to adopt rules requiring broker-dealers – which would include broker-dealer security-based swap dealers (“broker-dealer SBSDs”) and broker-dealer major security-based swap participants (“broker-dealer MSBSPs”) – to make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports 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.⁷

2. Information Collection Purpose and Use

The purpose of requiring that broker-dealers, broker-dealer SBSDs, and broker-dealer MSBSPs to maintain the records specified in Rule 17a-4 is to help ensure that examiners and other representatives of the Commission, State securities regulatory authorities, and self-regulatory organizations (“SROs”) have access to the information and documents necessary to determine whether broker-dealers, broker-dealer SBSDs, and broker-dealer MSBSPs are in compliance with the Commission’s antifraud and anti-manipulation rules, financial responsibility program, and other Commission, SRO, and State laws, rules, and regulations. Without Rule 17a-4, it would be impossible for the Commission to determine whether a broker-dealer, broker-dealer SBSD, or broker-dealer MSBSP that chose not to preserve records was in compliance with these rules. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

3. Consideration Given to Information Technology

Rule 17a-4 specifically allows brokers and dealers, including broker-dealer SBSDs, and broker-dealer MSBSPs, to use electronic storage media to comply with the record-keeping requirements under the Securities and Exchange Act of 1934. In fact, because it simply sets

⁴ See Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. 111–203, 124 Stat. 1376 (2010).

⁵ Pursuant to section 701 of the Dodd-Frank Act, Title VII may be cited as the “Wall Street Transparency and Accountability Act of 2010.” See Pub. L. 111–203, 701.

⁶ See 15 U.S.C. 78o-10(f)(2).

⁷ See 15 U.S.C. 78q(a)(1).

minimum standards for the electronic storage media employed, Rule 17a-4 does not limit broker-dealers, including broker-dealer SBSs, and broker-dealer MSBSs, to using forms of electronic storage which may become obsolete as new technology is developed. The Commission believes that improvements in telecommunications and data processing technology may reduce any burdens that result from Rule 17a-4. The audit trail alternative in the amended rule is designed to update the requirements in Rule 17a-4 to account for technological advances in recordkeeping technologies that have occurred over the past two decades.

4. Duplication

There is no duplication.

5. Effects on Small Entities

Because number and complexity of records required to be preserved by Rule 17a-4 vary proportionately with the volume and complexity of the broker-dealer's business, broker-dealers, including broker-dealer SBSs, and broker-dealer MSBSs, may choose which media (hard-copy, microfiche, electronic storage, cloud-based service providers etc.) is most appropriate given their size and the type of business they do. The books and records required under Rule 17a-4 are normally retained by small broker-dealers. Additionally, with respect to the amendments associated with the rulemaking implementing the recordkeeping requirements mandated under the Dodd-Frank Act with respect to broker-dealer SBSs and broker-dealer MSBSs, and to account for the security-based swap and swap activities of stand-alone broker-dealers, the Commission does not anticipate that many small broker-dealers will be affected by the SBS Recordkeeping Release's amendments to Rule 17a-4 as most of these firms generally do not hold positions in security-based swaps.

6. Consequences of Not Conducting Collection

Rule 17a-4 is a record preservation rule. Without Rule 17a-4, it would be impossible for the Commission to determine whether a broker-dealer, including a broker-dealer SBS, or a broker-dealer MSBS, that chose not to preserve records was in compliance with the Commission's antifraud and anti-manipulation rules, financial responsibility program, and other Commission, SRO, and State laws, rules, and regulations. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

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

Certain provisions of Rule 17a-4 require respondents to retain records for more than three years. Specifically, Rule 17a-4(a) requires broker-dealers to preserve for a period of not less than six years:

1. Purchase and sales blotters, securities and cash receipts, and disbursements blotters;
2. Ledgers of a broker-dealer's assets, liabilities, income and expense, and capital accounts;
3. Customer account ledgers;
4. Securities position reports;

5. Lists of office employees able to explain records to examiners; and
6. A record of persons responsible for establishing policies and procedures designed to ensure that the broker-dealer is compliant with applicable rules and regulations.

After the closing of any customer's account, broker-dealers must preserve for at least six years any account cards or records which relate to the terms and conditions of opening and maintaining the account. Broker-dealers are required to maintain and preserve in an easily accessible place:

1. Employment records of associated persons until at least three years after the employment has terminated;
2. Processed fingerprint cards and other related information until at least three years after the termination of employment or association;
3. All records required pursuant to paragraph (a)(15) of Rule 17a-3 for the life of the enterprise;
4. All account record information required pursuant to Rule 17a-3(a)(17) and Rule 17a-3(a)(35) until at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated;
5. All records required pursuant to Rule 17a-3(a)(24) and a copy of each Form CRS, until at least six years after such record or Form CRS is created; and
6. Each compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the member, broker, or dealer with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person associated with the member, broker, or dealer until three years after the termination of the use of the manual.

In addition, Rule 17a-4(d) requires that a broker-dealer maintain specified organizational documents for the life of the enterprise and any successor enterprise.

These extended retention periods are necessary with respect to the records itemized above in order to provide regulators with sufficient time to conduct comprehensive inspections and investigations. Due to budget constraints, regulators only examine broker-dealers and office locations periodically. Further, certain of these documents do not become obsolete (*e.g.*, organizational documents).

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

The Commission did not provide any payment or gift to respondents.

10. Confidentiality

The records required to be maintained by Rule 17a-4 are available only to the examination staffs of the Commission, State regulatory authorities, and the SROs. Subject to the

provisions of the Freedom of Information Act, 5 U.S.C. § 552 (“FOIA”) and the Commission’s rules thereunder (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

Rule 17a-4 requires that broker-dealers maintain records as prescribed by Commission rules; however, this information collection does not collect personally identifiable information (“PII”). No information of a sensitive nature, including social security numbers, will be required under this collection of information. The agency has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) are not required in connection with the collection of information.

12. Information Collection Burden

Rule 17a-4 establishes the records that must be preserved by all broker-dealers, as well as records that must be preserved only by certain broker-dealers. This section discusses the estimated hour burdens for the information collections in Rule 17a-4 for purposes of the Paperwork Reduction Act (“PRA”).

Records Preserved by All Broker-Dealers

The Commission estimates that, on average, each broker-dealer spends 254 hours each year to ensure that it preserves the records Rule 17a-4 requires all broker-dealers to preserve. As of August 21, 2025, there were 3,298 broker-dealers registered with the Commission. Therefore, the Commission estimates that all brokers will spend a combined total of **837,692 hours each year** ((3,298 broker-dealers x 254 hours) to comply with the Rule 17a-4 requirements applicable to all broker-dealers.

Rule 17a-4(b)(11)

Paragraph (b)(11) of Rule 17a-4 requires any broker-dealer that sponsors an internal broker-dealer system to maintain certain records relating to such system for at least three years, the first two years in an easily accessible place.⁸ The Commission estimates that paragraph (b)(11) of Rule 17a-4 imposes an annual burden of 3 hours per year to maintain the requisite records. The Commission

⁸ An internal broker-dealer system is any facility that provides a mechanism for collecting, receiving, disseminating, or displaying system orders and facilitating agreement to the basic terms of a purchase or sale of a security between a customer and the sponsor, but excludes a national securities exchange, an exchange exempt from registration based on limited volume, and an alternative trading system. See 17 C.F.R. 240.17a-3(a)(16)(ii)(A). Because an internal broker-dealer system is not included in the definition of an exchange, it is regulated under the broker-dealer regulatory scheme.

estimates that there are approximately 200 internal broker-dealer systems,⁹ resulting in **an annual recordkeeping burden of 600 hours.**¹⁰

Rule 17a-4(e)(5) and Rule 17a-4(e)(10)

Based on data obtained from Form BR, the Commission estimates that approximately 73.5% of the 3,298 broker-dealers registered with the Commission, or 2,424 broker-dealers, have retail customers and therefore are subject to the requirements of Rule 17a-4 (e)(5) and Rule 17a-4(e)(10).¹¹

Rule 17a-4(e)(5) requires broker-dealers to retain all records of the information collected from or provided to each retail customer for at least six years after the earlier of the date the account was closed or the date on which the information was last replaced or updated.¹² Rule 17a-4(e)(10) requires broker-dealers subject to Form CRS to maintain each record made pursuant to Rule 17a-3(a)(24) for at least six years.

The Commission estimates that the approximate ongoing burden associated with the recordkeeping requirement of Rule 17a-4(e)(5) is 1,623 hours per broker-dealer or **3,934,152burden hours per year.**¹³

Rule 17a-4(e)(10) requires broker-dealers subject to Form CRS to maintain each record made pursuant to Rule 17a-3(a)(24) for at least six years. The Commission estimates this creates a burden for each such broker-dealer of 0.10 hours, or an estimated aggregate burden of

⁹ The Commission believes that most over-the-counter (“OTC”) market makers maintain an internal broker-dealer system. In 2018, the Commission estimated that there were approximately 200 OTC market makers. *See Disclosure of Order Handling Information*, Exchange Act Release No. 84528 (Nov. 2, 2018), 83 FR 58338 (Nov. 19, 2018).

¹⁰ 3 hours x 200 internal broker-dealer systems = 600 hours.

¹¹ On June 5, 2019, the Commission adopted Rule 15l-1 under the Exchange Act establishing a standard of conduct for broker-dealers and natural persons who are associated persons of a broker-dealer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer (“Regulation Best Interest”). *See Securities Exchange Act Release No. 86031* (June 5, 2019), 84 FR 33318 (July 12, 2019) (“Regulation Best Interest Adopting Release”). At the same time, the Commission adopted Exchange Act Rule 17a-14 (CFR 240.17a-14) and Form CRS (17 CFR 249.640) under the Exchange Act. In connection with these rulemakings, the Commission amended Rule 17a-4 by revising paragraph (e)(5) and adding paragraph (e)(10).

¹² The Commission believes the following records will likely need to be retained by broker-dealers under Rule 17a-4(e)(5): (1) existing account disclosure documents; (2) comprehensive fee schedules; (3) disclosures identifying material conflicts; and (4) memorialized oral disclosures under the circumstances outlined in Section II.C.1 of the Regulation Best Interest Adopting Release, *Oral Disclosure or Disclosure After a Recommendation*.

¹³ This estimate is based on the following calculation: (2,424broker-dealers) x 1,623 hours per broker-dealer) = 3,934,152 burden hours for all broker-dealers.

242 hours on an annual basis.¹⁴ This estimate results in a total annual estimated recordkeeping burden for Form CRS records for all BDs of 242 hours.

Records Preserved by Broker-Dealer SBSBs and Broker-Dealer MSBSPs

Telephonic Communications: The Commission amended paragraph (b)(4) of Rule 17a-4 to require broker-dealer SBSBs and broker-dealer MSBSPs to retain telephone calls that have already been recorded and are related to the broker-dealer SBSB's and broker-dealer MSBSP's security-based swap business.¹⁵ Paragraph (b)(4) of Rule 17a-4, as amended, only requires the retention of telephonic recordings the broker-dealer SBSB or broker-dealer MSBSP voluntarily chooses to record, so the Commission's burden estimate does not include the cost of recording phone calls. Therefore, the burden imposed by the amendment is to provide adequate physical space and computer hardware and software for storage. The Commission estimates that the amendment to paragraph (b)(4) of Rule 17a-4 imposes an initial burden of 13 hours per firm in the first year and an ongoing burden of 6 hours per year (including the first year). There are currently eight broker-dealer SBSBs registered with the Commission. The Commission estimates that there will be three new broker-dealer SBSBs that register with the Commission in the next three years resulting in an estimated industry-wide initial burden of 39 hours¹⁶ in the first year and an ongoing burden of 48 hours per year (including the first year).¹⁷ Over a three year period, the total industry burden is estimated to be 186 hours,¹⁸ or **62 hours per year when annualized.**¹⁹

Security-Based Swap Activities: The Commission amended paragraphs (b)(1), and (b)(8)(v)-(viii), and adding paragraphs (b)(8)(xvi) and (b)(14) of Rule 17a-4 that add five types of records to be preserved by broker-dealers.²⁰ Because the burden to create these records is already accounted for in PRA estimates for Rule 17a-3, Rule 15c3-1, or in Regulation SBSR, the burdens imposed by these new requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that these amendments to Rule 17a-4 impose an initial burden of 65 hours per firm in the first year and an ongoing burden of 30 hours per year (including the first year). The Commission estimates that

¹⁴ 2,424 broker-dealers x 0.1 hours = 242 hours in aggregate.

¹⁵ See paragraph (b)(4) of Rule 17a-4, as amended.

¹⁶ 13 hours x 3 broker-dealer SBSBs = 39 hours.

¹⁷ 6 hours x 8 broker-dealer SBSBs and broker-dealer MSBSPs = 48 hours.

¹⁸ (39 hours in first year [initial] + 48 hours in first year [ongoing]) + 48 hours in second year + 48 hours in third year = 186 hours.

¹⁹ 186 hours / 3 years = 62 hours per year or 7.75 hours per respondent per year.

²⁰ See Rule 17a-4, as amended (paragraph (b)(1) (cross-referencing paragraphs (a)(26) (compliance with possession or control requirements) and (a)(27) (records of reserve computations under Rule 15c3-3(p)(3)) of Rule 17a-3, as amended; paragraph (b)(8)(v) through (viii) (identifying information about swaps); paragraph (b)(8)(xvi) (risk margin calculation); and paragraph (b)(14) (Regulation SBSR information)).

there will be three new respondents in the next three years, resulting in an estimated industry-wide initial burden of 195 hours²¹ in the first year and an ongoing burden of 240 hours per year (including the first year).²² Over a three year period, the total industry burden is estimated to be 915 hours,²³ **or 305 hours per year when annualized.**²⁴

Broker-Dealer SBSs and Broker-Dealer MSBSPs: The Commission amended paragraph (b)(1) and adopting paragraphs (b)(15) and (b)(16) of Rule 17a-4 to add five types of records to be preserved by broker-dealer SBSs and broker-dealer MSBSPs.²⁵ Because the burden to create these records is accounted for in the PRA estimates for Rule 17a-3, or Rules 15Fh-1 through 15Fh-5 and 15Fk-1, the burdens imposed by these amendments are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that these amendments to Rule 17a-4 impose an initial burden of 65 hours per firm in the first year and an ongoing burden of 30 hours per year (including the first year). The Commission estimates that there will be three new respondents over the next three years, resulting in an estimated initial industry-wide initial burden of 185 hours²⁶ in the first year and an ongoing burden of 180 hours per year (including the first year).²⁷ Over a three year period, the total industry burden is estimated to be 725 hours,²⁸ **or 242 hours per year when annualized.**²⁹

Broker-Dealer SBSs Only: The Commission amended paragraph (b)(1) of Rule 17a-4 that requires records relating to political contributions to be preserved by broker-dealer SBSs only.³⁰ Because the burden to create this record is accounted for in the PRA estimate for Rule 17a-3, as amended, the burden imposed by this new requirement is to ensure there is adequate physical space and computer hardware and software for storage, ensure the record is preserved

²¹ 65 hours x 3 respondents = 195 hours.

²² 30 hours x 8 respondents = 2400 hours.

²³ (195 hours in first year + 240 hours in first year) + 240 hours in second year + 240 hours in third year = 915 hours.

²⁴ 915 hours / 3 years = 305 hours per year or 38.125 hours per respondent per year.

²⁵ See Rule 17a-4, as amended (paragraph (b)(1), cross-referencing paragraph (a)(25) of Rule 17a-3, as amended (Rule 18a-3 calculations); paragraph (b)(1), cross-referencing paragraph (a)(28) of Rule 17a-3, as amended (unverified transactions); paragraph (b)(1), cross-referencing paragraph (a)(30) of Rule 17a-3, as amended (compliance with business conduct standards); paragraph (b)(15) (documents and notices related to the business conduct standards); and paragraph (b)(16) (special entity documents)).

²⁶ 65 hours x 3 broker-dealer SBSs and broker-dealer MSBSPs = 185 hours.

²⁷ 30 hours x 8 broker-dealer SBSs and broker-dealer MSBSPs = 180 hours.

²⁸ (185 hours in first year + 180 hours in first year) + 180 hours in second year + 180 hours in third year = 725 hours.

²⁹ 725 hours / 3 years = 241.67 hours per year or 30.21 hours per respondent per year.

³⁰ See paragraph (b)(1) of Rule 17a-4, as amended (cross-referencing paragraph (a)(29) of Rule 17a-3, as amended (political contributions)).

for the requisite time period, and produce it when requested. The Commission estimates that this amendment to Rule 17a-4 imposes an initial burden of 13 hours per firm in the first year and an ongoing burden of 6 hours per year (including the first year). The Commission estimates that there will be three new broker-dealer SBSBs registered in the next three years, resulting in an estimated industry-wide initial burden of 39 hours³¹ in the first year and an ongoing burden of 48 hours per year (including the first year).³² Over a three year period, the total industry burden is estimated to be 418 hours,³³ or **62 hours per year when annualized.**³⁴

Electronic Recordkeeping Requirements: In 2022, the Commission amendments to Rule 17a-4(f) that added an audit-trail alternative to the current broker-dealer recordkeeping requirement.³⁵ The Commission also amended both of these paragraphs to require the broker-dealer to have a backup set of records or the redundant equivalency when records are preserved on an electronic recordkeeping system.³⁶ The amendments to Rule 17a-4(f) also replaced the third-party access and undertakings requirements with a requirement that either a designated executive officer or a third party have the access and provide the necessary undertakings.³⁷ The amendments to Rule 17a-4(f) eliminated a requirement that the broker-dealer notify its DEA before employing an electronic recordkeeping system.³⁸ The amendments to Rule 17a-4(j) also required a broker-dealer to furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 17a-4(f), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.³⁹ The amendments to Rule 17a-4(i) provided an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.⁴⁰

The Commission estimates that 100 firms will register as broker-dealers over the next three years. The Commission estimates that replacing the third-party access and undertakings requirements with a requirement that either a designated executive officer or a third party have the access and provide the necessary undertakings will result in a one-time burden for those

³¹ 13 hours x 3 broker-dealer SBSBs = 39 hours.

³² 6 hours x 8 broker-dealer SBSBs = 48 hours.

³³ (39 hours in first year + 48 hours in first year) + 48 hours in second year + 48 hours in third year = 186 hours.

³⁴ 186 hours / 3 years = 62 hours per year or 7.75 hours per respondent per year.

³⁵ See section II.D. of the *Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants*, Exchange Act Release No. 34-96034 (Oct. 12, 2022), 87 FR 66412 (Nov. 3, 2022) (“2022 Electronic Recordkeeping Adopting Release”) (discussing this amendment).

³⁶ See section II.E. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

³⁷ *Id.*

³⁸ See section II.C. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

³⁹ See section II.H. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁴⁰ See section II.G. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

firms of 100 hours,⁴¹ or **33.33 hours when annualized**. In addition, the Commission estimates that the alternative electronic recordkeeper undertaking will result in a one-time initial burden of 1 hour per the estimated 5 affected broker-dealers, for a total of 5 hours,⁴² or **1.67 hours when annualized**. Finally, the Commission estimates that the need for the one cloud service providers to review and execute the Alternative Undertaking will result in a one-time initial burden of 100 hours per provider, for a total of 100 hours,⁴³ or **33.33 hours when annualized**.

Rule 17a-4(b)(1), (e)(11), (e)(12) – Risk Mitigation: In 2019, the Commission amended Rule 17a-4(b)(1), (e)(11), and (e)(12) to account for the security-based swap risk mitigation activities of broker-dealers, including Broker-Dealer SBSs and Broker-Dealer MSBSPs (collectively, “SBS Entities”), by, among other things, requiring the preserving of any required records regarding portfolio reconciliation (Rule 15Fi-3(a) and (b)), bilateral offsets (Rule 15Fi-4(a)(1)), bilateral or multilateral portfolio compression (Rule 15Fi-4(b) and (c)), valuation disputes (Rule 15Fi-3(c)), and written trading relationship documentation (Rule 15Fi-5). Rule 17-4 does not require the firm to create these records or perform the underlying task required by the Rule. Rather, the burden to create these records and perform the underlying task is accounted for in Rule 15Fi-3 – 15Fi-5.⁴⁴ Accordingly, the burdens imposed by the requirements in 17a-4 are to ensure these records related to risk mitigation are preserved for the requisite time period and produced when requested. The Commission estimates that these recordkeeping requirements impose an initial burden of 60 hours per firm for updating the applicable policies and systems required to account for capturing the additional records made pursuant to Rule 15Fi-3 through 15Fi-5, and an ongoing annual burden of 75 hours per firm for maintaining such records as well as to make additional updates to the applicable recordkeeping policies and systems to account for the new rules. The Commission estimates that there three new SBS Entity respondents in the next three years, for a total average initial annual burden for all respondents of 180 hours⁴⁵ and a total ongoing average annual burden of 225 hours,⁴⁶ for a total **annual burden of 285 hours**.⁴⁷

The estimated burdens associated with Rule 17a-4 are summarized in the following table:

Name of Information Collection	Type of Burden	Number of Respondents	Summary of Hourly Burdens					
			Annual Responses per Respondent	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Hour Burden per Response	Annual Burden Per Entity	Annual Burden for all Respondents

⁴¹ One-time initial reporting burden for 100 broker-dealers (1 hour x 100 broker-dealers) = 100 hours.

⁴² One-time initial recordkeeping burden for 5 broker-dealers (1 hour x 5 broker-dealers) = 5 hours.

⁴³ One-time initial reporting burden for five cloud service providers: (100 hours x one cloud service provider) = 100 hours.

⁴⁴ See *Risk Mitigation Adopting Release*, 85 FR at 6389.

⁴⁵ One-time initial reporting burden for 3 SBS Entities (60 hour x 3 SBS Entities) = 180 hours.

⁴⁶ 75 hour x 3 SBS Entities = 225 hours.

⁴⁷ (180 hours in first year + 225 hours in first year) + 225 hours in second year + 225 hours in third year/3 = 285 hours

Rule 17a-4	Recordkeeping	3,298	1			254	254	837,692
Rule 17a-4(b)(11)	Recordkeeping	200	1			3	3	600
Rule 17a-4(e)(5) - Ongoing	Recordkeeping	2,424	147,505			0.011	1622.555	3,934,152
Rule 17a-4(e)(10)	Recordkeeping	2,424	1			0.1	0.1	242
17a-4 (b)(4) – Telephonic communications—initial burden	Recordkeeping	3	1	13	4.333		4.333	13
17a-4 (b)(4) – Telephonic communications—ongoing burden	Recordkeeping	8	1			6	6	48
Rule 17a-4(b)(1), (b)(8)(v) - Security-Based Swap Activities and Rule 17a-4(b)(8)(xvi) and (b)(14)—initial burden	Recordkeeping	3	1	65	21.67		21.67	65
Rule 17a-4(b)(1), (b)(8)(v) - Security-Based Swap Activities and Rule 17a-4(b)(8)(xvi) and (b)(14)—ongoing burden	Recordkeeping	8	1			30	30	240
Rule 17a-4(b)(1) Broker-Dealer SBSDs and Broker-Dealer MSBSPs and Rule 17a-4(b)(15) and (b)(16)—initial burden	Recordkeeping	3	1	65	21.67		21.67	65
Rule 17a-4(b)(1) Broker-Dealer SBSDs and Broker-Dealer MSBSPs and Rule 17a-4(b)(15) and (b)(16)—ongoing burden		8	1			30	30	240
Rule 17a-4(b)(1) Broker-Dealer SBSDs Only—initial burden	Recordkeeping	3	1	13	4.333		4.333	13
Rule 17a-4(b)(1) Broker-Dealer SBSDs Only—ongoing burden	Recordkeeping	8	1			6		48
Third party or Designated	Reporting	100	1	1	.333	0	.333	

Executive Officer Undertaking								33.3
Alternative undertaking – Broker-Dealers	Recordkeeping	5	1	1	.333	0	.333	1.67
Alternative undertaking – Cloud Service Providers	Reporting	1	100	1	.333	0	33.33	33.33
Rule 17a-4(b)(1)(e)(11) and (e)(12) Broker-Dealer SBSBs and Broker-Dealer MSBSBs—initial burden	Recordkeeping	3	1	60	20		20	60
Rule 17a-4(b)(1)(e)(11) and (e)(12) Broker-Dealer SBSBs and Broker-Dealer MSBSBs—ongoing burden	Recordkeeping	8	1			75		
		TOTAL						

The Commission believes that requirements resulting from Rule 17a-4 are performed by individuals in a broker-dealer's compliance department. A Compliance Clerk earns an average of \$78 per hour,⁴⁸ resulting in a total internal cost of compliance of approximately [\$699] million [(9,983,015 hours x \$ 78)].

13. Costs to Respondents

This section discusses the estimated cost burdens for the information collections in Rule 17a-4 for purposes of the PRA.

The following chart summarizes the costs that are currently approved for this collection. A description of each cost follows the chart:

Name of Information Collection	Summary of Cost Burdens				
	Type of Burden	Number of Respondents	Annual Initial Cost Burden per Respondent	Annual Ongoing Cost Burden per Respondent	Annual Burden for all Respondents
Rule 17a-4 – Document Storage Costs	Recordkeeping	3,298		\$5,000	\$16,490,000
Telephonic Communications	Recordkeeping	8		\$2,000	\$16,000

⁴⁸

This figure is based on SIFMA's *Office Salaries in the Securities Industry 2013*, modified by Commission staff to account for inflation and an 1,800-hour work-year multiplied by 2.93 to account for bonuses, firm size, employee benefits, and overhead.

Security-Based Swap Activities	Recordkeeping	8		\$600	\$4,800
Broker-Dealer SBSBs and Broker-Dealer MSBSPs	Recordkeeping	8		\$600	\$4,800
Broker-Dealer SBSBs Only	Recordkeeping	8		\$120	\$960
Rule 17a-4 (f) – Audit trail alternative to WORM for Large Broker-Dealers	Recordkeeping	20		\$120,000	\$2,400,000
Rule 17a-4 (f) – Audit trail alternative to WORM for Small Broker-Dealers	Recordkeeping	80		\$12,000	\$960,000
Rule 17a-4 (f) – Backup Recordkeeping Systems or the redundant equivalency for Large Broker-Dealers	Recordkeeping	20		\$30,000	\$600,000
Rule 17a-4 (f) – Backup Recordkeeping Systems or the redundant equivalency for Small Broker-Dealers	Recordkeeping	80		\$3,000	\$240,000
Third party or Designated Executive Officer Undertaking	Reporting	100	\$497	\$0	16,401
Alternative undertaking – Broker-Dealers	Recordkeeping	5	\$165.67	\$0	\$828
Alternative undertaking – Cloud Service Providers	Reporting	1	\$165.67	\$0	\$16,567
TOTAL					

Rule 17a-4 – Document Storage Costs.

Based on conversations with members of the securities industry and the Commission's experience in the area, we estimate that the average broker-dealer spends approximately \$5,000 each year to store documents required to be retained under Rule 17a-4. Costs include the cost of physical space, computer hardware and software, etc., which vary widely depending on the size of the broker-dealer and the type of storage media employed. The Commission estimates that the **annual reporting and recordkeeping cost burden is \$16,490,000**. This cost is calculated by the number of active, registered broker-dealers multiplied by the recordkeeping cost for each respondent (3,298 active, registered broker-dealers x \$5,000). This is a recordkeeping cost.

Telephonic Communications: The Commission estimates that each applicable firm incurs an ongoing annual cost of approximately \$2,000 per firm for server, equipment, and

systems development costs. The Commission estimates that there are 8 respondents, resulting in an estimated industry-wide **ongoing annual cost of \$16,000.**⁴⁹

Security-Based Swap Activities: The Commission estimates that the amendments to paragraphs (b)(1), (b)(8)(v)-(viii) and new paragraphs (b)(8)(xvi) and (b)(14) of Rule 17a-4 impose an ongoing annual cost of approximately \$600 per firm. The Commission estimates that there are 33 respondents,⁵⁰ resulting in an estimated industry-wide **ongoing annual cost of \$19,800.**⁵¹

Broker-Dealer SBSs and Broker-Dealer MSBSPs: The Commission estimates that the amendments to paragraph (b)(1) and new paragraphs (b)(15) and (b)(16) of Rule 17a-4 impose ongoing annual cost of approximately \$600 per firm. The Commission estimates that there are 8 respondents, resulting in an estimated industry-wide **ongoing annual cost of \$4,800.**⁵²

Broker-Dealer SBSs Only: The Commission estimates that the amendments to paragraph (b)(1) of Rule 17a-4 impose an ongoing annual cost of approximately \$120 per firm. The Commission estimates that there are 8 broker-dealer SBSs, resulting in an estimated industry-wide **ongoing annual cost of \$9600.**^{53,54}

Electronic Recordkeeping Requirements: As described above, the amendments to Rule 17a-4(f) add an audit-trail alternative to the current broker-dealer recordkeeping requirement.⁵⁵ The Commission also amended both of these paragraphs to require the broker-dealer to have a backup set of records or the redundant equivalency when records are preserved on an electronic recordkeeping system.⁵⁶ The amendments to Rule 17a-4(f) also replaced the third-party access and undertakings requirements with a requirement that either a third party or a designated executive officer of the broker-dealer have the access and provide the necessary

⁴⁹ \$2,000 per firm x 8 respondents = \$16,000.

⁵⁰ 8 broker-dealer SBSs + 25 non-SBSD/MSBSP broker-dealers engaged in security-based swap activities = 42 respondents.

⁵¹ \$600 per firm x 33 respondents = \$19,800.

⁵² \$600 per firm x 8 respondents = \$4,800.

⁵³ \$120 per firm x 8 broker-dealer SBSs = \$9600.

⁵⁴ Throughout this section, to monetize the internal costs the Commission staff used data from the SIFMA publications, Management and Professional Earnings in the Securities Industry—2013, and Office Salaries in the Securities Industry—2013, modified by the Commission staff to account for an 1800 hour work-year and multiplied by 5.35 (professionals) or 2.93 (office) to account for bonuses, firm size, employee benefits and overhead. These figures have been adjusted for inflation through the end of 2020 using data published by the Bureau of Labor Statistics.

⁵⁵ See section II.D. & E. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁵⁶ See section II.D. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

undertakings.⁵⁷ The amendments to Rule 17a-4(f) eliminated a requirement that the broker-dealer notify its DEA before employing an electronic recordkeeping system.⁵⁸ The amendments to Rule 17a-4(j) also require a broker-dealer furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 17a-4(f), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.⁵⁹ The amendments to Rule 17a-4(i) provide an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.⁶⁰

Based upon information provided to the Commission by the securities industry, the Commission estimates that the ongoing cost of \$1.2 million annually to maintain a WORM-compliant recordkeeping system.⁶¹ Alternatively, the Commission estimates that the ongoing cost to maintain an electronic recordkeeping system that meets the audit trail requirement for a large broker-dealer is \$120,000 annually. The Commission estimates that 20 large broker-dealers will incur the \$120,000 annual cost to maintain an electronic recordkeeping system that meets the audit trail requirement (\$2.4 million).⁶² The Commission does not believe any of these firms will elect to build a WORM-compliant electronic recordkeeping system. Moreover, the Commission estimates that most of the 802 firms have electronic recordkeeping systems that could meet the audit-trail requirement or that have been configured to meet that requirement without the need to build a new system.

The Commission estimates that the ongoing annual cost for the broker-dealers with more than \$10 million in total assets The Commission estimates that the cost for the 2,496 broker-dealers with \$10 million or less in total assets to build and maintain an electronic recordkeeping system that meets the audit-trail requirement will be significantly less than the \$120,000 annual costs estimated for the 802 larger broker-dealers. Consequently, the Commission estimates that the annual cost to maintain the system is \$12,000. The Commission estimates that most of the 2,496 broker-dealers with \$10,000,000 or less in total assets will continue to preserve records in the manner they do today: using a WORM-compliant system, using micrographic media, or maintaining paper records. The Commission estimates that 80 of these firms that have elected to build a new electronic recordkeeping system to meet the audit-trail requirement incur an **annual ongoing cost of \$960,000**.

The Commission believes the ongoing costs to establish backup electronic recordkeeping systems or the redundant equivalency is substantially less than the costs of the primary electronic recordkeeping systems because of the benefit of economies of scale for the backup system or the

⁵⁷ *Id.*

⁵⁸ See section II.C. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁵⁹ See section II.H. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁶⁰ See section II.G. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁶¹ See Petition 4-713 (Nov. 14, 2017) filed by the Securities Industry Financial Markets Association, Financial Services Roundtable, Futures Industry Association, International Swaps Derivatives Association, and Financial Services Institute available at <https://www.sec.gov/rules/petitions/2017/petn4-713.pdf> (“Rule 17a-4(f) Rulemaking Petition”). at 4-5.

⁶² \$120,000 x 20 respondents = \$2.4 million.

redundant equivalency whereby common technology and personnel could be used for both systems. The Commission estimates that the costs for the 802 larger broker-dealers is \$30,000 in annual burdens and costs. Therefore, the annual costs that are incurred by the 20 firms that elect to build a new electronic recordkeeping system that meets that audit-trail requirement. Consequently, the Commission estimates that the industry-wide costs and burdens for these firms is **\$600,000 in annual ongoing costs**.

The Commission estimates that the costs incurred by the 80 smaller broker-dealers that have built electronic recordkeeping systems to meet the audit-trail requirement and, therefore, need to build a backup recordkeeping system or the redundant equivalency, will be substantially less than the costs and burdens incurred by the larger broker-dealers. The Commission estimates that these firms incur ongoing annual costs of \$3,000. Therefore, the Commission estimates that the industry-wide costs for these firms are **\$240,000 in ongoing annual costs**.

14. Costs to the Federal Government

The SEC is in the process of revising its methodologies to estimate annualized costs to the Federal government for all its relevant collections of information. The SEC anticipates that future extensions of this collection of information will reflect the revised methodologies.

15. Changes in Burden

The Commission modified some of the existing information collections to update the number of respondents that are small entities and the percentage of respondents reporting electronically; however, we did not modify the estimated hour or burdens for these collections. The changes to the burden described above result from the reduction and removal of the initial burden associated with the new recordkeeping requirements that arose as a result of the 2022 amendments to Rule 17a-4 and associated with security-based swap activity⁶³ The changes also reflect a reduction in the number of broker-dealers registered with the Commission from 3,508 in 2022 to 3,298 in 2025.

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.

⁶³ See 2022 Electronic Recordkeeping Adopting Release.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.