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,[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. 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.[2] 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).[3]

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

2 Exchange Act Release No. 11787 (Nov. 3, 1975), 40 FR 52356 (Nov. 10, 1975).

3 The record retention requirements for broker-dealer records required by Rule 17Ab2-1 and Form CA-1 are in Rule 17a-4 (OMB Control No. 3235-0279). Such records must be preserved for a period of not less than three years, the first two in an easily accessible place.

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

3. Consideration Given to Information Technology

A clearing agency registering with the Commission must file with the Commission a paper copy of Form CA-1. In 2024, the Commission modified the clearing agency registration requirements to require, among other things, that applicants file Form CA-1 electronically through the Commission's EDGAR system.[4] In 2025, the Commission extended the compliance date of the electronic filing requirement to April 30, 2027.[5] Nonetheless, applicants utilize various computer information systems to compile information required 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.

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4 *Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report*, Exchange Act Release No. 101925 (Dec. 16, 2024), 90 FR 7250 (Jan. 21, 2025), available at https://www.govinfo.gov/content/pkg/FR-2025-01-21/pdf/2024-30433.pdf.

5 *Extension of Compliance Dates for Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report*, Exchange Act Release No. 103877 (Sep. 8, 2025), 90 FR 43552 (Sep. 10, 2025), available at https://www.govinfo.gov/content/pkg/FR-2025-09-10/pdf/2025-17402.pdf.

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

The instructions for use of Form CA-1 require that an applicant file four copies with the Commission, making this collection of information inconsistent with the guidelines in 5 CFR 1320.5(d)(2)(iii). Specifically, 5 CFR 1320.5(d)(2)(iii) states that OMB will typically not approve a collection of information that requires respondents to submit more than one original and two copies of any document. However, special circumstances exist that explain this inconsistency. At the time Rule 17Ab2-1 was adopted, four copies were likely appropriate for dissemination within the Commission. However, the Commission recently modified the filing requirement to require clearing agencies to file Form CA-1 electronically through EDGAR. This modification will eliminate the current requirement to file four paper copies. The compliance date for this change is April 30, 2027.

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 collects elements of PII that are 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 record for purposes of the Privacy Act. Information is not retrieved by a personal identifier.

12. Information Collection Burden

Based on Commission staff's review over the past three years, there has been an uptick in the number of Form CA-1 applications received, and there has also been an increase in the length and complexity of the application materials. The Commission receives approximately three new Form CA-1 applications per year pursuant to Rule 17Ab2-1. The Commission staff estimates that the Form CA-1 would take approximately 651 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 approximately 60 hours of an applicant or registrant's staff time. There has also been an uptick in the number of amendments received each year. Commission staff estimates that there are ten amendments per year. Consequently, the aggregate annual burden associated with compliance with Rule 17Ab2-1 and Form CA-1 is approximately 2553 hours.[6]

The Commission staff estimates that, in order to complete a new Form CA-1, 611 hours of a Lawyer's time (estimated at $744 per hour)[7] and 40 hours of a Chief Executive's time (estimated at $999 per hour) would be required, resulting in an internal cost of compliance of approximately $494,544 for a new applicant.[8] For an amendment of

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6 (651 burden hours per applicant x 3 applicants) + (60 hours per amendment x 10 amendments).

7 For purposes of calculating the dollar cost burdens associated with applicants using Form CA-1, the Commission relies on the Occupational Employment and Wage Statistics ("OEWS") from the U.S. Bureau of Labor Statistics ("BLS"). *See Occupational Employment and Wage Classification*, U.S. BUREAU OF LABOR STATISTICS, https://www.bls.gov/oes/; *see also Standard Occupational Classification*, U.S. BUREAU OF LABOR STATISTICS, https://www.bls.gov/soc/ (describing occupational classification system used by BLS); EXEC. OFF. OF THE PRESIDENT, OFF. OF MGMT. & BUDGET, NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM (2022), *available at* https://www.census.gov/naics/reference_files_tools/2022_NAICS_Manual.pdf (describing the industry adjusted for changes in the seasonally adjusted employment cost index for private wages and salaries between the data reference period and when the data are released by BLS. *See Employment Cost Index*, U.S. BUREAU OF LABOR STATISTICS, https://www.bls.gov/eci/. The adjusted mean hourly wage is then multiplied by a factor that accounts for nonwage costs borne by employers, such as bonuses, benefits, and overhead. This factor is calculated as an average over the 10 most recently available years of data of the ratio of the Bureau of Economic Analysis's annual gross output data for the North American Industry Classification System ("NAICS) number to total annual wages across all occupations for the NAICS number in the OEWS data.

8 (611 burden hours for a lawyer per clearing agency x $744 per hour) + (40 burden hours for a Chief Executive per clearing agency x $999 per hour).

an existing Form CA-1, the staff estimates that 40 hours of a Lawyer's time and 20 hours of a Chief Executive's time would be required, resulting in an internal cost of compliance of $49,740.[9] Therefore, the total annualized internal cost of compliance is estimated to be approximately $1,981,032.[10]

Rule	Burden Type	Number of Respondents	Number of Annual Reponses Per Respondent	Time Per Response (Hours)	Total Burden Per Burden Type (Hours)
Rule 17Ab2-1 (Initial Form CA-1 Filings)	Initial Reporting	3	1	651	1,953
Rule 17Ab2-1 (Periodic Form 1 Amendments)	Periodic Reporting	10	1	60	600
Total Aggregate Burden					***2,553***

13. Cost to Respondents

As noted in Question 12, the Commission estimates that it will receive three Form CA-1 filings, and ten Form CA-1 amendments per year. The main cost to respondents is associated with drafting, collecting, providing, and maintaining the information sought by Form CA-1. This information is related to what clearing agency services an applicant is proposing to provide; therefore, internal personnel are most knowledgeable about the information requested by Form CA-1. However, as noted above, recent applications reflect novel issues and fact patterns, and many applicants may choose to seek out external counsel when presented with issues that are novel to industry participants. 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 consultations are not required by the Commission). For a new Form CA-1, Commission staff estimates the cost of 60 hours of an external Lawyer's time (estimated at $498 per hour) and 10 hours of an external Accountant's time (estimated at $241), which would result in an external cost of approximately $32,290 per year per applicant, and an aggregate cost to the industry of $96,870.[11] Due to the same uptick in complexity observed in recent amendments, the

9 (40 burden hours for a lawyer per amendment x $744 per hour) + (20 burden hours for a Chief Executive per amendment x $999 per hour).

10 (3 respondents x $494,544 per application) + (10 respondents x $49,740 per amendment).

11 (60 burden hours for a lawyer per clearing agency x 3 applications per year x $498 per hour) + (10 burden hours for an accountant per clearing agency x 3 applications per year x $241 per hour).

Commission staff is estimating external costs of 5 hours of an external Lawyer's time (estimated at $498 per hour) for an amendment to Form CA-1, which would result in an external cost of approximately $2,490 per year per applicant, and an aggregate cost to the industry of $24,900.[12]

Rule	Burden Type	Number of Respondents	Number of Annual Reponses Per Respondent	Cost per Response ($)
Rule 17Ab2-1 (Initial Form CA-1 Filings)	Initial Reporting	3	1	$32,290
Rule 17Ab2-1 (Amended Form CA-1 Filings)	Periodic Reporting	10	1	$2,490

14. Costs to Federal Government

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

15. Changes in Burden

Commission staff changed its cost burden estimate in four ways: 1) to reflect the most recent updated wage and salary information for the industry, 2) to reflect the uptick in length and complexity of Form CA-1 applications, 3) to reflect an increase in novel issues that may result in use of external counsel for both applications and amendments, and 4) to reflect the uptick in the total number of responses annually. The chart below provides detailed information on the reason for and the impact of these changes.

12 5 burden hours for a lawyer per clearing agency x 10 amendments per year x $498 per hour.

	1. Previous Estimated Aggregate Burden Hours Per Year	2. Current Estimated Aggregate Burden Hours Per Year	3. Previous Estimated Aggregate External Cost Burden Per Year	4. Current Estimated Aggregate External Cost Burden Per Year	Reason for the Changes
Rule 17Ab2-1 (Initial Form CA-1 Filings)	**340**	**1953**	**$23,300**	**$96,870**	Based on a review of the past three years of applications received, the Commission believes that 3 applications per year is the current rate; the previous estimate had been 1 per year. The increase in the total number from 1 to 3 increased both the current estimated aggregate burden hours and the current estimated aggregated external cost burden in columns #2 and #4. Additionally, the length and complexity of applications received – in particular, responses for Exhibit J (narratives of each service or function), Exhibit K (description of operational security measures), Exhibit L (description of safeguarding and custody measures), and Exhibit M (description of backup systems) of Form CA-1 – have increased due to an increase in novel issues, services, products, and risks (such as cloud computing, cybersecurity, sponsored clearing, Distributed Ledger Technology, Treasury clearing products, etc.), leading to an increase in the current estimated aggregate burden hours in column #2. Staff estimated additional use of external counsel as well, due to novel issues, which increased the current estimated aggregate external cost burden in column #4.
Rule 17Ab2-1 (Amended Form CA-1 Filings)	**60**	**600**	**$0**	**$24,900**	Based on a review of the past three years of amendments received, and due to the overall increase in the number of registrants due to the recent uptick in applications, the Commission believes that 10 amendments per year is the current rate; the previous estimate had been 1 per year. The increase in from 1 to 10 increased both the current estimated aggregate burden hours and the current estimated aggregate external cost burden in columns #2 and #4. Additionally, with the increase in novel issues presented with recent applications, staff estimates that industry may choose to consult with external counsel for an amendment, which increased the current estimated aggregate external cost burden in column #4.

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.