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## **SECURITIES AND EXCHANGE COMMISSION**

**[SEC File No. 270-198, OMB Control No. 3235-0279]**

### **Submission for OMB Review; Comment Request**

Upon Written Request, Copies Available From:

Securities and Exchange Commission

Office of FOIA Services

100 F Street, NE

Washington, DC 20549-2736

Extension: Rule 17a-4

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (“PRA”) (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (“Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for extension of the previously approved collection of information provided for in Rule 17a-4 (17 CFR 240.17a-4), under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

Rule 17a-4 requires approximately 3,764 active, registered exchange members, brokers, and dealers (“broker-dealers”) to preserve for prescribed periods of time certain records required to be made by Rule 17a-3 and other Commission rules, and other kinds of records which firms make or receive in the ordinary course of business. Rule 17a-4 also permits broker-dealers to employ, under certain conditions, electronic storage media to maintain these required records. The records required to be maintained under Rule 17a-4 are used by examiners and other representatives of the Commission to determine whether broker-dealers are in compliance with, and to enforce their compliance with, the Commission's rules.

There are approximately 3,764 active, registered broker-dealers. The staff estimates that the average amount of time necessary to preserve the books and records as required by Rule 17a-4 is 254 hours per broker-dealer per year. In addition, 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 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 estimates that there are approximately 200 internal broker-dealer systems, resulting in an annual recordkeeping burden of 600 hours. Therefore, the Commission estimates that compliance with Rule 17a-4 requires 956,656 hours each year ((3,764 broker-dealers x 254 hours) + (200 broker-dealers x 3 hours)<sup>1</sup>). These burdens are recordkeeping burdens.

The staff believes that compliance personnel would be charged with ensuring compliance with Commission regulation, including Rule 17a-4. The staff estimates that the hourly salary of a Compliance Clerk is \$70 per hour.<sup>2</sup> Based upon these numbers, the total internal cost of compliance for 4,104 respondents is the dollar cost of approximately \$67 (956,656 yearly hours x \$70). The total burden hour decrease of 86,210 is due to a decrease in the number of respondents from 4,104 to 3,764.

Based on conversations with members of the securities industry and the Commission's

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<sup>1</sup> On June 5, 2019, the Commission adopted Rule 151-1 under the Securities Exchange Act of 1934 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. *See* Securities Exchange Act Release No. 86031 (June 5, 2019), 84 FR 33318 (July 12, 2019). 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. *See* Form CRS Relationship Summary; Amendments to Form ADV Exchange Act Release No. 86032, Advisers Act Release No. 5247, File No. S7-08-18 (June 5, 2019), 84 FR 33492 (July 12, 2019). As part of new Rule 17a-14 and Form CRS, and Regulation Best Interest, the Commission amended Rule 17a-4 by adding new paragraphs (a)(24) and (a)(35). The collections of information and the related burdens associated with these amendments have been separately noticed for comment and are currently under review.

<sup>2</sup> This figure is based on SIFMA's Office Salaries in the Securities Industry 2013, modified by Commission staff to account for an 1,800-hour work-year multiplied by 2.93 to account for bonuses, firm size, employee benefits, and overhead.

experience in the area, the staff estimates 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 \$18,820,000. This cost is calculated by the number of active, registered broker-dealers multiplied by the reporting and recordkeeping cost for each respondent (3,764 active, registered broker-dealers x \$5,000).

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

The public may view the background documentation for this information collection at the following website: [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of Management and Budget, Room 10102, New Executive Office Building, Washington, DC 20503, or by sending an e-mail to: [Lindsay.M.Abate@omb.eop.gov](mailto:Lindsay.M.Abate@omb.eop.gov) ; and (ii) Charles Riddle, Acting Director/Chief Information Officer, Securities and Exchange Commission, c/o Candace Kenner, 100 F Street, NE, Washington, DC 20549, or by sending an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov). Comments must be submitted to OMB within 30 days of this notice.

Dated: September 24, 2019.

**Jill M. Peterson,**

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