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SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Request

Upon Written Request Copies Available From:
Securities and Exchange Commission
Office of Investor Education and Advocacy
Washington, DC 20549-0213

Extension: Rule 17a-12 and Form X-17A-5IIB

SEC File No. 270-442, OMB Control No. 3235-0498

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*) (“PRA”), the Securities and Exchange Commission (“Commission”) has submitted to the Office of Management and Budget (“OMB”) a request for approval of an extension of the previously approved collection of information provided for in Rule 17a-12 (17 CFR 240.17a-12) and Part IIB of Form X-17A-5 (17 CFR 249.617) under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) (“Exchange Act”).

Rule 17a-12 requires OTC derivatives dealers to file quarterly Financial and Operational Combined Uniform Single Reports (“FOCUS” reports) on Part IIB of Form X-17A-5, the basic document for reporting the financial and operational condition of over-the-counter (“OTC”) derivatives dealers. Rule 17a-12 also requires that OTC derivatives dealers file audited financial statements annually. The reports required under Rule 17a-12 provide the Commission with information used to monitor the operations of OTC derivatives dealers and to enforce their compliance with the Commission's rules. These reports also enable the Commission to review the business activities of OTC derivatives dealers and to anticipate, where possible, how these dealers may be affected by significant economic events.

There are currently four registered OTC derivatives dealers. The staff expects that one

additional firm will register as an OTC derivatives dealer within the next three years. The staff estimates that the average amount of time necessary to prepare and file the quarterly reports required by the rule is eighty hours per OTC derivatives dealer¹ and that the average amount of time to prepare and file the annual audit report is 100 hours per OTC derivatives dealer per year, for a total reporting burden of 180 hours per OTC derivatives dealer annually. Thus the staff estimates that the total industry-wide reporting burden to comply with the requirements of Rule 17a-12 is 900 hours per year (180 x 5). Further, the Commission estimates that the total internal compliance cost associated with this requirement is approximately \$250,000 per year.² The Commission previously estimated that there were no external annualized costs associated with Rule 17a-12. However, the cost associated with an independent accountant's examination of the financial statements OTC derivatives dealers file with the Commission should have been included in prior submissions. For purposes of the reporting burden for Rule 17a-5 under the Exchange Act (17 CFR 240.17a-5), the Commission estimated that the average annual reporting cost per broker-dealer for an independent public accountant to examine the financial statements was approximately \$46,300 per broker-dealer. Based on this estimate, the total industry-wide annual reporting cost would be approximately \$231,500 (\$46,300 x 5).

The Commission may not conduct or sponsor a collection of information unless it displays a currently valid OMB control number. No person shall be subject to any penalty for failing to

¹ Based upon an average of 4 responses per year and an average of 20 hours spent preparing each response.
² Based on staff experience, an OTC derivatives dealer likely would have a Compliance Manager gather the necessary information and prepare and file the quarterly reports and annual audit report and supporting schedules. According to the Securities Industry and Financial Markets Association Report on Management and Professional Earnings in the Securities Industry dated October 2011, which provides base salary and bonus information for middle-management and professional positions within the securities industry, the hourly cost of a compliance manager, which the Commission staff has modified to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead, is approximately \$279/hour. \$279 times 900 hours = \$251,100.

comply with a collection of information subject to the PRA that does not display a valid OMB control number.

The public may view background documentation for this information collection at the following website: www.reginfo.gov. Please direct your written comments 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: Shagufta_Ahmed@omb.eop.gov; and (ii) Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, Virginia 22312, or send an e-mail to PRA_Mailbox@sec.gov. Comments must be submitted to OMB within 30 days of this notice.

Kevin M. O'Neill
Deputy Secretary

January 31, 2013

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