



## SECURITIES AND EXCHANGE COMMISSION

[OMB Control No. 3235-0279]

### Agency Information Collection Activities; Proposed Collection; Comment Request;

#### Extension: Rule 17a-4

*Upon Written Request, Copies Available From:* Securities and Exchange Commission, Office of FOIA Services, 100 F Street NE, Washington, DC 20549-2736

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission (“SEC” or “Commission”) is soliciting comments on the proposed collection of information. Rule 17a-4 requires exchange members, brokers, and dealers (“broker-dealers”) to preserve for prescribed periods of time certain records required to be made by Rule 17a-3. In addition, Rule 17a-4 requires the preservation of records required to be made by other Commission rules and other kinds of records which firms make or receive in the ordinary course of business. These include, but are not limited to, bank statements, cancelled checks, bills receivable and payable, originals of communications, and descriptions of various transactions. Rule 17a-4 also permits broker-dealers to employ, under certain conditions, electronic storage media to maintain records required to be maintained under Rules 17a-3 and 17a-4.

There are approximately 3,298 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. Additionally, 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.

The Commission also estimates that there are approximately 2,424 broker-dealers with retail customers resulting in an annual ongoing burden of approximately 3,934,152 to comply with Rule

17a-4(e)(5). Moreover the Commission estimates that these broker-dealers will incur 242 hours in annual burden to comply with Rule 17a-4(e)(10).

Therefore, the Commission estimates that compliance with Rule 17a-4 requires 4,772,698 hours each year ((3,298 broker-dealers x 254 hours) + (200 broker-dealers x 3 hours) + 3,934,152 hours + 242 hours)). These burdens are recordkeeping burdens. The total burden hour decrease of 4,527,481 hours is due to a decrease in the number of respondents from 3,508 to 3,298, as well as the removal of the initial burden associated with the recordkeeping requirements for broker-dealers with retail customers.

In addition, the Commission estimates that the telephonic recording retention provision of paragraph (b)(4) of Rule 17a-4 imposes an initial burden on broker-dealer SBSBs and broker-dealer MSBSPs 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 that register with the Commission in the next three years and that there are currently eight broker-dealer SBSBs registered with the Commission resulting in an estimated industry-wide initial burden of 39 hours<sup>1</sup> in the first year and an ongoing burden of 48 hours per year (including the first year).<sup>2</sup> Over a three year period, the total industry burden is estimated to be 186 hours,<sup>3</sup> or 62 hours per year when annualized.<sup>4</sup>

The Commission estimates that the provisions of paragraphs (b)(1), and (b)(8)(v)-(viii) relating to security-based swap activities and paragraphs (b)(8)(xvi) and (b)(14) of 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 in the next three years, resulting in an estimated industry-wide initial burden of 195

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<sup>1</sup> 13 hours x 3 broker-dealer SBSBs = 39 hours.

<sup>2</sup> 6 hours x 8 broker-dealer SBSBs and broker-dealer MSBSPs = 48 hours.

<sup>3</sup> (39 hours in first year [initial] + 48 hours in first year [ongoing]) + 48 hours in second year + 48 hours in third year = 186 hours.

<sup>4</sup> 186 hours / 3 years = 62 hours per year or 7.75 hours per respondent per year.

hours<sup>5</sup> in the first year and an ongoing burden of 240 hours per year (including the first year).<sup>6</sup> Over a three year period, the total industry burden is estimated to be 9150 hours,<sup>7</sup> or 305 hours per year when annualized..

The Commission estimates that the provisions of paragraph (b)(1) applicable to broker-dealer SBSs and broker-dealer MSBSPs and paragraphs (b)(15) and (b)(16) of 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 hours<sup>8</sup> in the first year and an ongoing burden of 180 hours per year (including the first year).<sup>9</sup> Over a three year period, the total industry burden is estimated to be 725 hours,<sup>10</sup> or 242 hours per year when annualized.<sup>11</sup>

The Commission estimates that provisions of paragraph (b)(1) of Rule 17a-4 that apply only to broker-dealer SBSs 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 SBSs registered in the next three years, resulting in an estimated industry-wide initial burden of 39 hours<sup>12</sup> in the first year and an ongoing burden of 48

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<sup>5</sup> 65 hours x 3 respondents = 195 hours.

<sup>6</sup> 30 hours x 8 respondents = 2400 hours.

<sup>7</sup> (195 hours in first year + 240 hours in first year) + 240 hours in second year + 240 hours in third year = 915 hours.

<sup>8</sup> 65 hours x 3 broker-dealer SBSs and broker-dealer MSBSPs = 185 hours.

<sup>9</sup> 30 hours x 8 broker-dealer SBSs and broker-dealer MSBSPs = 180 hours.

<sup>10</sup> (185 hours in first year + 180 hours in first year) + 180 hours in second year + 180 hours in third year = 725 hours.

<sup>11</sup> 725 hours / 3 years = 241.67 hours per year or 30.21 hours per respondent per year.

<sup>12</sup> 13 hours x 3 broker-dealer SBSs = 39 hours.

hours per year (including the first year).<sup>13</sup> Over a three year period, the total industry burden is estimated to be 418 hours,<sup>14</sup> or 62 hours per year when annualized.<sup>15</sup>

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 SBSBs 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.<sup>16</sup> 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

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<sup>13</sup> 6 hours x 8 broker-dealer SBSBs = 48 hours.

<sup>14</sup> (39 hours in first year + 48 hours in first year) + 48 hours in second year + 48 hours in third year = 186 hours.

<sup>15</sup> 186 hours / 3 years = 62 hours per year or 7.75 hours per respondent per year.

<sup>16</sup> *See Risk Mitigation Adopting Release*, 85 FR at 6389.

initial annual burden for all respondents of 180 hours<sup>17</sup> and a total ongoing average annual burden of 225 hours,<sup>18</sup> for a total annual burden of 285 hours.<sup>19</sup>

In 2022, the Commission amendments to Rule 17a-4(f) that added an audit-trail alternative to the current broker-dealer recordkeeping requirement.<sup>20</sup> 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.<sup>21</sup> 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.<sup>22</sup> The amendments to Rule 17a-4(f) eliminated a requirement that the broker-dealer notify its DEA before employing an electronic recordkeeping system.<sup>23</sup> 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.<sup>24</sup> The amendments to Rule 17a-4(i) provided an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.<sup>25</sup>

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

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<sup>17</sup> One-time initial reporting burden for 3 SBS Entities (60 hour x 3 SBS Entities) = 180 hours.

<sup>18</sup> 75 hour x 3 SBS Entities = 225 hours.

<sup>19</sup> (180 hours in first year + 225 hours in first year) + 225 hours in second year + 225 hours in third year/3 = 285 hours

<sup>20</sup> 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).

<sup>21</sup> See section II.E. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>22</sup> *Id.*

<sup>23</sup> See section II.C. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>24</sup> See section II.H. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>25</sup> See section II.G. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

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 firms of 100 hours,<sup>26</sup> 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,<sup>27</sup> 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,<sup>28</sup> or 33.33 hours when annualized.

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,<sup>29</sup> resulting in a total internal cost of compliance of approximately [\$699] million [(9,983,015 hours x \$ 78)].

Based on conversations with members of the securities industry and the Commission's 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 \$16,490,000. This cost is calculated by the number of active, registered broker-dealers multiplied by the reporting and recordkeeping cost for each respondent (3,298 registered broker-dealers x \$5,000).

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 associated

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<sup>26</sup> One-time initial reporting burden for 100 broker-dealers (1 hour x 100 broker-dealers) = 100 hours.

<sup>27</sup> One-time initial recordkeeping burden for 5 broker-dealers (1 hour x 5 broker-dealers) = 5 hours.

<sup>28</sup> One-time initial reporting burden for five cloud service providers: (100 hours x one cloud service provider) = 100 hours.

<sup>29</sup> 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.

with the telephonic recording retention requirement, which applicable to broker-dealer SBSBs and broker-dealer MSBSBs. The Commission estimates that there are 8 respondents, resulting in an estimated industry-wide ongoing annual cost of \$16,000 for compliance with the telephonic recording retention provision of Rule 17a-4(b)(4).

The Commission estimates that provisions of paragraphs (b)(1), (b)(8)(v)-(viii) relating to security-based swap activities and 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, resulting in an estimated industry-wide ongoing annual cost of \$19,800.

The Commission estimates that the provisions of paragraph (b)(1) applicable to broker-dealer SBSBs and broker-dealer MSBSBs and 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.

The Commission estimates that the provisions of paragraph (b)(1) of Rule 17a-4 that apply only to broker-dealer SBSBs imposes an additional ongoing annual cost of approximately \$120 per firm to broker-dealer SBSBs. The Commission estimates that there are 8 broker-dealer SBSBs, resulting in an estimated industry-wide ongoing annual cost of \$960.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB Control Number.

Written comments are invited on: (a) whether this proposed collection of information is necessary for the proper performance of the functions of the SEC, including whether the information will have practical utility; (b) the accuracy of the SEC's estimate of the burden imposed by the proposed collection of information, including the validity of the methodology and the assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated, electronic collection techniques or other forms of information technology.

Please direct your written comments on this 60-Day Collection Notice to Austin Gerig, Director/Chief Data Officer, Securities and Exchange Commission, c/o Tanya Ruttenberg via e-mail to PaperworkReductionAct@sec.gov by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. There will be a second opportunity to comment on this SEC request following the *Federal Register* publishing a 30-Day Submission Notice.

Dated: September 25, 2025.

**Sherry R. Haywood,**

*Assistant Secretary.*

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