

Act of 1995 ("PRA").²⁰ We have submitted the collection of information requirements of the proposed amendments to the Office of Management and Budget ("OMB") for review in accordance with the PRA.²¹ The OMB has approved the amended PRA collection and assigned control number 3235-0199 to them. 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 control number.

As stated in the Proposing Release, we estimate that the amendments will reduce the existing paperwork burden on broker-dealers taking advantage of the exemption. The Proposing Release solicited comments on the proposed collections of information. We received no comments that addressed the PRA submission. However, we did receive comments on other aspects of the proposed amendments. After carefully considering the comments received, we are not changing our collection of information burden estimate.

As discussed above, today we are adopting amendments to Rule 17a-5(c) that are substantially similar to the proposed amendments. We note, however, that the rule amendments as adopted and changed from the proposal do not change the PRA estimate. The amendments allow a broker-dealer that elects to take advantage of the exemption, instead of sending its full balance sheet, to send a financial disclosure statement, consisting of certain net capital information and information on how to obtain its full balance sheet, to its customers twice a year, as long as the broker-dealer also posts its balance sheet on its Web site and promptly sends its balance sheet to its customers who request it via a toll-free number. We estimate that the amendments will reduce the existing paperwork burden on broker-dealers taking advantage of the exemption.

The previous PRA burden for Rule 17a-5(c) was 542,222 hours and \$19.52 million. The hour burden was based on an estimated average of 10 seconds to send each balance sheet times 97.6 million public customer accounts times two balance sheets per year (195,200,000 responses * 10 seconds / 60 seconds / 60 minutes = 542,222 hours per year). The cost burden was based on an estimated average of 10 cents per response for postage and printing costs (195,200,000 responses * \$.10 = \$19.52 million).

Since the time of the previous calculation of the PRA burden, the number of public customer accounts has increased to 103 million. Further, industry sources represented that it now costs approximately 11 cents to mail a full balance sheet to a customer, primarily due to the additional postage required to mail the approximately six pages of footnotes required by GAAP, and that few customers agreed to accept the balance sheets electronically. We are now using that estimate of 11 cents instead of the 10 cents per balance sheet we had used previously.

Since the inception of the pilot program on December 10, 1999, to July 1, 2002, 29 broker-dealers, carrying a total of approximately 40 million customer accounts, have taken advantage of the relief. Now that the Commission has adopted the proposed amendments, some additional firms may take advantage of the exemption. Because these firms have not yet taken advantage of the relief and because they may be smaller firms than some of the firms that have already taken advantage of the relief, these firms may realize fewer benefits from the exemption than those firms already taking advantage of the exemption.

Broker-dealers currently taking advantage of the exemption send the financial disclosure statement, instead of their full balance sheet, twice a year. Some broker-dealers print the financial disclosure statement, which is typically about one paragraph in length, on a separate page, and some broker-dealers print it on the account statement.

We estimate that the 29 broker-dealers currently taking advantage of the exemption will spend 222,000 hours per year sending the financial disclosure statements to their customers. This estimate is based on an estimated average of 10 seconds to send each statement times 40 million customers times 2 financial disclosure statements per year. We have estimated in previous PRA filings that it requires 10 seconds to send a full balance sheet to a customer. Sending the financial disclosure statement instead of the full balance sheet may require less time.

We estimate that broker-dealers taking advantage of the exemption will save up to 11 cents each on postage and printing to send the financial disclosure statement instead of the full balance sheet to their customers. We estimate that the 29 firms currently taking advantage of the exemption have reduced their postage and printing costs by up to \$8.8 million per year (40 million accounts * 2 mailings * up to 11 cents).

Broker-dealers that take advantage of the exemption must send balance sheets to customers who request them via a toll-free number. Based on requests received by broker-dealers participating in the pilot program, we estimate that the firms that take advantage of the exemption will send approximately 550 balance sheets per year to customers who request them via the firms' toll-free numbers (1384 requests from December 31, 1999 to July 1, 2002/30 months * 12 months = 554).²² Even if it takes 10 minutes to send each balance sheet, the total annual burden would be small (10 minutes * 550 balance sheets / 60 = 92 hours). In addition, we estimate that it will cost approximately 74 cents in postage to mail the balance sheet (two 37-cent stamps to mail six pages) for a total of \$407 and that there may be small printing costs, which we are not able to quantify. We believe that the firms that will take advantage of the exemption already maintain a toll-free number for their customers and already have an Internet Web site.

We therefore estimate the total burden for broker-dealers who take advantage of the exemption to be 222,000 hours and less than \$10,000.

We estimate the burden for broker-dealers who do not take advantage of the exemption (383 broker-dealers carrying approximately 63 million customer accounts) to be about 350,000 hours per year and \$13.9 million per year. The hour burden was calculated by multiplying the estimated number of balance sheets to be sent annually (63 million customers times two balance sheets sent per year) by the estimated average amount of time required to send each balance sheet (10 seconds). The cost burden was calculated by multiplying the number of balance sheets sent per year (126 million) by estimated postage and printing costs for each balance sheet (11 cents).

We therefore estimate that, with the amendments, the total annual hour burden for Rule 17a-5(c) will be approximately 572,000 hours (350,000 hours for firms not taking advantage of the exemption and 222,000 hours for firms taking advantage of the exemption), and the total annual cost burden will be approximately \$13.9 million. The hour burden will increase by 29,778 hours from our previous estimate (572,000 hours - 542,222 hours). All of this increase is due to an increase in the total number of public customer accounts since the time of the last submission. The estimated cost

²⁰ 44 U.S.C. section 3501 *et seq.*

²¹ 44 U.S.C. section 3507(d) and 5 CFR 1320.11.

²² Customers, when requesting that the full balance sheet be sent to them, have not requested that the balance sheet be sent electronically.