

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Rule 10b-10: Confirmation of Transactions
OMB Control # 3235-0444

A. JUSTIFICATION

1. Necessity of Information Collection

Rule 10b-10 under the Securities Exchange Act of 1934 (“Exchange Act”)¹ requires broker-dealers to disclose specified information to customers regarding their securities transactions. The information required by the rule includes the date and time of the transaction, the identity and number of shares bought or sold, and whether the broker-dealer acts as agent for the customer or as principal for its own account. In addition, depending on whether the broker-dealer acts as agent for the customer or as principal for its own account, the rule requires the disclosure of commissions and, under specified circumstances, mark-up and mark-down information. For transactions in debt securities (other than U.S. savings bonds and municipal securities) the rule requires the disclosure of redemption and yield information. For transactions in securities futures products in a futures account, the rule permits the disclosure of alternative information. This alternative information includes: the date the transaction was executed; the identity and number of shares bought or sold; the price, the delivery month, and the exchange on which the transaction was executed; the source and amount of any remuneration received or to be received by the broker-dealer in connection with the transaction; whether the broker receives payment for order flow for such transactions; and the fact that other specified information, including whether the broker-dealer is acting as agent or principal, will be available upon written request.

Rule 10b-10 also requires broker-dealers to inform their customers if they are not members of the Securities Investor Protection Corporation (“SIPC”). The purpose of this disclosure is to ensure that customers are not led to believe that their accounts are subject to SIPC protection when they are not. In addition, for transactions in any NMS stock, the rule requires broker-dealers to state whether they receive payment for order flow for transactions in such securities and that the source and nature of the compensation received in connection with particular transactions will be furnished upon written request.

The confirmation has long been a customary document in the securities industry, and it serves several functions, which include: broker-dealers use it as a billing statement; it serves as a customer invoice; it informs customers of the details of transactions and facilitates their checking for errors or misunderstandings; it provides information that helps investors evaluate the cost and quality of services provided by broker-dealers; it discloses conflicts of interest that may arise

¹ 17 CFR 240.10b-10 (the “rule”).

between investors and broker-dealers; and it safeguards against fraud by helping customers detect problems with transactions.

2. Purpose and Use of the Information Collection

The purpose of Rule 10b-10 is to ensure that investors are given the necessary information to evaluate their securities transactions and the broker-dealers effecting those transactions. In the absence of the rule's requirements, investors may not be fully informed of important information relating to their securities transactions and the cost and quality of services they receive from broker-dealers.

3. Consideration Given to Information Technology

Most customer confirmations are generated by automated systems, which allow confirmations to be generated in a fraction of the time it would take to generate a confirmation manually. The Commission staff estimates the costs of producing and sending a paper confirmation, including postage, to be approximately 63 cents. The Commission staff also estimates that the cost of producing and sending a wholly electronic confirmation is approximately 39 cents. Based on informal discussions with industry participants as well as no-action positions taken in this area, the staff estimates that broker-dealers used electronic confirmations for approximately 35 percent of transactions.

4. Duplication

Not applicable; there is no duplication of information.

5. Effect on Small Entities

The requirements of Rule 10b-10 are not unduly burdensome on smaller broker-dealers.

6. Consequences of Not Conducting Collection

One of the primary purposes of Rule 10b-10 is to provide customers with immediate written notification of their securities transactions so that they can monitor the trading activity in their accounts. Less frequent dissemination of trade information to customers would substantially lessen the rule's investor protection functions.

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

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

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

Not applicable.

10. Confidentiality

Not applicable; respondents provide information to their customers about their own transactions.

11. Sensitive Questions

The SEC does not collect information from the individual but rather only business contact information; therefore, a PIA, SORN, and PAS are not required.

12. Information Collection Burden

Rule 10b-10 potentially applies to all of the approximately 3,531 broker-dealers that are registered with the Securities and Exchange Commission and that effect transactions for or with customers. It is important to note, however, that the confirmation is a customary document used by the industry as a matter of good business practice, as well as for purposes under the laws of agency and contract.

Based on information provided by registered broker-dealers to the Commission in annual Form X-17a-5 Schedule I FOCUS Reports filed from January 1, 2019 to December 31, 2021, in response to items 16a, 16b, and 16c on the form, the Commission staff estimates that on average, registered broker-dealers process approximately 27,151,388,510 order tickets per year for transactions for or with customers in (a) equity securities transactions effected on a national securities exchange, (b) equity securities transactions effected other than on a national securities exchange, and (c) commodity, bond, option, and other transactions effected on or off a national securities exchange.² Each order ticket representing a transaction effected for or with a customer generally results in one confirmation. Therefore, the Commission staff estimates that approximately 27,151,388,510 confirmations are sent to customers annually.

The number of confirmations sent and the cost of the confirmations vary from firm to firm as smaller firms send fewer confirmations than larger firms because they effect fewer transactions. The Commission staff estimates from information provided by industry participants that it takes about thirty seconds to generate and send a confirmation. As a result, the Commission staff estimates that the annual burden to brokers-dealers to comply with the confirmation delivery

² 18,702,175,481 transactions were reported in 2019. 29,304,327,314 were reported in 2020. 33,447,662,736 were reported in 2021. $18,702,175,481 + 29,304,327,314 + 33,447,662,736 = 81,454,165,531$. $81,454,165,531 / 3 = 27,151,388,510.3$, rounded down to 27,151,388,510.

requirements of Rule 10b-10 would be approximately 226,261,571 hours.³ This is an ongoing, third-party disclosure burden.

SUMMARY OF ANNUAL TIME BURDEN

Burden Type	Number of Annual Responses	Time Per Response (Hours)	Total Annual Burden Per Burden Type (Hours)
Third-party disclosure	27,151,388,510	0.008333333333	226,261,571

13. Costs to Respondents

Since 1996, the Commission has permitted broker-dealers to comply with Rule 10b-10 by means of electronic communications. Informal discussions with securities industry representatives, as well as representations made in requests for exemptive and no-action letters, lead us to believe that broker-dealers use electronic confirmations as their sole confirmations for approximately 35 percent of transactions. For the remaining 65 percent of transactions, we believe that broker-dealers continue to send paper confirmations.

The Commission staff calculates that, as a result, approximately 17,648,402,532 paper confirmations are mailed to customers each year.⁴ According to information previously provided by industry participants, the Commission staff estimates that the average cost for paper confirmations, including postage, for a one-page confirmation is 67 cents.⁵ Based on these calculations, the Commission staff estimates that the total annual cost associated with generating and mailing paper confirmations would be approximately \$11,824,429,696.⁶

As explained above, the Commission staff estimates that approximately 35 percent of confirmations generated are sent by electronic means alone. This means that approximately 9,502,985,979 wholly electronic confirmations are sent each year.⁷ The Commission staff estimates that the cost of each wholly electronic confirmation is 40 cents. Based on these

³ 27,151,388,510 confirmations at 0.5 minutes per confirmation = 13,575,694,255 minutes; 13,575,694,255 minutes/60 minutes per hour = 226,261,570.917 hours, rounded up to 226,261,571 hours.

⁴ 65 percent of 27,151,388,510 is 17,648,402,531.5, rounded up to 17,648,402,532.

⁵ As of November 7, 2022, this is the current cost for a postage stamp for mailing a domestic, one-ounce, First-Class Mail single-piece letter.

⁶ 17,648,402,532 paper confirmations at 67 cents per confirmation is \$11,824,429,696.4, rounded down to \$11,824,429,696.

⁷ 35 percent of 27,151,388,510 is 9,502,985,978.5, rounded up to 9,502,985,979.

calculations, the Commission staff estimates that the total annual cost associated with generating and sending wholly electronic confirmations is approximately \$3,801,194,392.⁸

Based upon discussions with industry participants, the Commission staff estimates that the total annual cost burden associated with generating and delivering to investors the information required under Rule 10b-10 would be \$15,625,624,088.⁹

SUMMARY OF COSTS TO RESPONDENTS

Type of Cost to Respondents	Number of Annual Responses	Cost Per Response	Annual Cost Per Burden Type
Paper third-party disclosure	17,648,402,532	0.67	\$11,824,429,696
Electronic third-party disclosure	9,502,985,979	0.40	\$3,801,194,392
<i>Total Annual Costs</i>			\$15,625,624,088

14. Costs to Federal Government

Rule 10b-10 does not require that any information be submitted to the Federal government, and thus no costs to the Federal government are imposed by the rule's requirement that broker-dealers disclose information to their customers.¹⁰

15. Changes in Burden

The estimated total annual hour burden associated with Rule 10b-10 increased from 157,030,207 hours to 226,261,571 hours because, while the estimated time per response remained 30 seconds (or 0.5 minutes) per response, the estimated total number of responses per year increased

⁸ 9,502,985,979 electronic confirmations at 40 cents per confirmation is \$3,801,194,391.60, rounded up to \$3,801,194,392.

⁹ \$11,824,429,696 + \$3,801,194,392 = \$15,625,624,088.

¹⁰ Broker-dealers maintain copies of the customer confirmations required by the rule, in compliance with their record-keeping obligations under other rules. These records may be reviewed by Commission staff occasionally, but only on an as-needed basis in connection with the regular duties of staff working on a discrete examination, investigation, or enforcement matter.

by approximately 8,307,763,667, from approximately 18,843,624,843 to approximately 27,151,388,510.¹¹

The estimated total annual cost burden to respondents associated with generating and delivering to investors the information required under Rule 10b-10 increased by approximately \$5,337,004,924, from \$10,288,619,164 to \$15,625,624,088.¹² This increase is attributable to the estimated average cost of mailing a paper confirmation increasing from 63 cents (including 55 cents for postage) to 67 cents (including 60 cents for postage); to the estimated number of paper confirmations mailed to customers each year increasing by 5,400,046,3384, from 12,248,356,148 to 17,648,402,532,¹³ which means the estimated annual cost of mailing paper confirmations increased by approximately \$4,107,965,323, from \$7,716,464,373 to \$11,824,429,696;¹⁴ to the estimated cost of sending electronic confirmations increasing from 39 cents to 40 cents; and to the estimated number of electronic confirmations sent to customers each year increasing by 2,907,717,284, from 6,595,268,695 to 9,502,985,979,¹⁵ which means the estimated annual cost of sending electronic confirmations increased by approximately \$1,229,039,601, from \$2,572,154,791 to \$3,801,194,392.¹⁶ The increase of \$4,107,965,323 for the annual cost of sending paper confirmations and the increase of \$1,229,039,601 for the annual cost of sending electronic confirmations caused the total annual cost of providing both paper and electronic confirmations to increase by approximately \$5,337,004,924.¹⁷

¹¹ 27,151,388,510 estimated responses per year in 2022 – 18,843,624,843 responses per year in 2019 = 8,307,763,667 more responses per year; 8,307,763,667 more responses per year x 0.5 minutes per response = 4,153,881,833.5 more minutes per year; 4,153,881,833.5 more minutes per year / 60 minutes per hour = 69,231,363.89 more hours per year, rounded up to 69,231,364 more hours per year.

¹² \$15,625,624,088 in 2022 – \$10,288,619,164 in 2019 = \$5,337,004,924.

¹³ 17,648,402,532 paper confirmations per year in 2022 - 12,248,356,148 paper confirmations per year in 2019 = 5,400,046,384 more paper confirmations per year.

¹⁴ 17,648,402,532 paper confirmations in 2022 x \$0.67 = \$11,824,429,696.4, rounded down to \$11,824,429,696; 12,248,356,148 paper confirmations in 2019 x \$0.63 = \$7,716,464,373.24, rounded down to \$7,716,464,373; \$11,824,429,696 -- \$7,716,464,373 = \$4,107,965,323 more for mailing paper confirmations.

¹⁵ 9,502,985,979 electronic confirmations in 2022 - 6,595,268,695 electronic confirmations per year in 2019 = 2,907,717,284 more electronic confirmations per year.

¹⁶ 6,595,268,695 electronic confirmations in 2019 x \$0.39 = \$2,572,154,791.05, rounded down to \$2,572,154,791; 9,502,985,979 electronic confirmations in 2022 x \$0.40 = \$3,801,194,392; \$3,801,194,392 - \$2,572,154,791 = \$1,229,039,601.

¹⁷ \$4,107,965,323 more for mailing paper confirmations + \$1,229,039,601 more for sending electronic confirmations = \$5,337,004,924 total increase.

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.