

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 17f-1(c) and Form X-17F-1A
OMB Control No. 3235-0037

A. Justification

(1) Necessity of Information Collection

Section 17f-1 of the Securities Exchange Act of 1934 (“Act”) was a response by Congress to the large number of securities thefts which occurred in the late 1960s. Testimony at hearings conducted before the Senate Permanent Subcommittee on Investigations between 1971 and 1974 indicated that trading of stolen securities was profitable for organized crime. Testimony also indicated that the inability to easily identify missing, lost, stolen, or counterfeit securities certificates was a contributing factor to the increase in trading of such securities. Accordingly, the Commission adopted Rule 17f-1, which established certain requirements relating to the Lost and Stolen Securities Program (“Program”).

Rule 17f-1(c) was adopted in December 1976, pursuant to 15 U.S.C 78b, 78q(f), 78s(a), and 78w and was most recently amended on December 23, 2003, based on proposed amendments to the rule published in October 2000. Paragraph (c) of the rule established requirements related to the Program. In particular, Rule 17f-1(c) requires financial institutions to report to the Commission or its designee whenever a security is suspected of being lost, missing, stolen, or counterfeit. National securities exchanges and their members, registered securities associations, brokers, dealers, transfer agents, clearing agencies, FDIC insured banks, and members of the Federal Reserve System make these reports to a central database on Form X-17F-1A.

(2) Purpose and Use of Information Collection

The collection of information serves three objectives. First, the information becomes part of a database of physical securities reported as lost, missing, stolen, or counterfeit. Second, the database may be accessed to determine whether a particular certificate has been previously reported as lost, missing, stolen, or counterfeit. Third, the mere existence of the report and inquiry process enhances commercial confidence in efficient certificate handling and thereby serves to discourage sophisticated criminals from placing stolen securities into commerce for value. Failure to report this information would cause substantial losses to securities holders and financial institutions through increased trading and pledging of lost, missing, stolen, or counterfeit securities.

(3) Consideration Given to Information Technology

The collection of information may be reported electronically through the Program website or through an SFTP connection. The Securities Information Center, or SIC, is currently in charge of keeping reports for all lost and stolen securities. The SIC has consistently used the most current computer techniques for processing inquiries and

reports.

However, the SIC will not operate the Program as of January 1, 2025.¹ As of this date, the Commission's newly selected vendor Accenture Federal Services LLC ("Accenture") will maintain and operate the Program. Accenture also plans to offer electronic reporting through its Program website or an SFTP connection.

(4) Duplication

The Program is unique, and therefore duplication is not possible.

(5) Effect on Small Entities

Through arrangements with larger financial institutions, the Program provides a low-cost means for small businesses to report and inquire about securities. The rule also exempts from the inquiry requirement securities certificates received from the institution's customers, if the institution's records show that the security was sold to the customer by that institution.

(6) Consequences of Not Conducting Collection

Less frequent reports and inquiries would result in an unreliable database and increased losses to financial institutions.

(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

No payment or gift is provided to respondents.

¹ In 2019, SIC notified the Commission that it did not intend to renew the delegation arrangement with the Commission. SIC has continued to operate the Program pursuant to a series of one-year contractual extensions since that time.

(10) Confidentiality

Each participating institution must have a unique access code to gain entry to the database. The Commission believes such confidentiality is necessary and adequate to achieve the goals of Section 17f-1 of the Act.

(11) Sensitive Questions

The information collection collects basic elements of PII including name, job title, and work address that is covered by the EDFS PIA. No information of a sensitive nature, including social security numbers, will be required under this collection of information. Additionally, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier.

(12) Burden of Information Collection

The total reporting burden Regulation 17f-1(c), as adopted, for all respondents is approximately 2,937.5 hours. These burdens consist of a one-time burden of approximately 2,000 hours for set-up, and annual burdens thereafter of approximately 25 hours for maintenance and 287.5 hours for reporting.

SFTP Connectivity²

The Commission estimates that the collection of information required by the regulation in connection with Accenture becoming the new Program operator will impose a voluntary one-time aggregate burden of 2,000 burden hours, which corresponds to 13 minutes per reporting institution. Further, the Commission estimates that updates in reporting institutions' systems to maintain this connectivity will impose a voluntary aggregate ongoing annualized burden of 25 burden hours, which corresponds to less than 1 minute per reporting institution. However, this one-time burden and on-going annualized burden is anticipated to vary widely among registrants.

Historically, approximately 45 of the largest reporting institutions have voluntarily elected to establish an SFTP connection to SIC to facilitate the inquiry and reporting process. These reporting institutions would need to update their system to establish a connection to the Accenture platform. Further, the Commission estimates that, over the next 3 years, 5 additional reporting institutions will elect to establish an SFTP connection to the Accenture platform. Accordingly, the Commission estimates that approximately 50 reporting institutions will be subject to this one-time burden, which corresponds to 40 hours for each of the applicable reporting institutions. Further, the Commission estimates that updates in the applicable reporting institutions' systems to maintain this connectivity will impose an aggregate ongoing annualized burden of 25

² Reporting via an SFTP connection to the Program is optional and it is unknown how many registrants, if any, will engage in such reporting and how much burden, if any, will be incurred. Nevertheless, the Commission is providing this estimate of the regulation's burden for purposes of the Paperwork Reduction Act.

burden hours, which corresponds to 30 minutes for each of the applicable reporting institutions. Accordingly, this estimated burden to establish and maintain SFTP connectivity over three years results in an aggregate burden of 691.67 hours per year or 13.83 hours per applicable reporting institution per year.³

Periodic Reporting

Approximately 9,500 reporting institutions are required to report securities that are either missing, lost, counterfeit, or stolen annually. Approximately, 115 reporting institutions will submit this report on average 30 times each year. The staff estimates that the average amount of time necessary for each reporting institution to comply with the Rule 17f-1(c) and Form X-17F-1A is five minutes. As a result, the total hourly burden for the periodic reporting burden under Rule 17f-1(c) is approximately 287.5 hours.⁴

See Attachment A.

(13) Costs to Respondents

The annualized costs per affected registrant and in the aggregate were determined using an average salary of \$100.00 per hour. Accordingly, SEC staff estimates that the total annual internal cost of compliance for the estimated total hour burden is approximately \$95,667.⁵ The Commission believes that this is an appropriate salary estimate for purposes of this regulation.

In support of this determination, the Commission notes that the salary estimate is based upon the August 29, 2024 Occupational Outlook Handbook,⁶ including the median hourly wage of an employee in the occupation Software Developers, Quality Assurance Analysts, and Testers, which is \$62.58; the median hourly wage of an employee in the occupation Computer Network Architects, which is \$62.42; the median hourly wage of an employee in the occupation Network and Computer Systems Administrator, which is \$45.84; the median hourly wage of an employee in the occupation Database Administrators and Architects, which is \$56.46; and the median hourly wage of an employee in the occupation Compliance Officers, which is \$36.38.

The Commission also notes that it took the foregoing data and then increased its hourly wage estimate in recognition of the fact that some respondents may be large financial institutions whose employees' salaries may exceed the median wage. In addition, the Commission recognizes that some respondents may hire outside contractors with expertise in the various technology and regulatory areas covered by the regulation

³ (50 Respondents x 1 Responses over 3 years) = 50 x (40 hour) = 2,000 hours / 3 years = 666.67 hours per year. (50 Respondents x 1 Responses) = 50 x (.5 hours) = 25 hours. 666.67 hours + 25 hours = 691.67 hours. 691.67 hours / 50 Respondents = 13.83 hours / Respondent.

⁴ (115 Respondents x 30 Responses) = 3,450 x (5 minutes/60 minutes/hour) = 287.5 Hours

⁵ 666.67 hours x \$100 / hour = \$66,667; 25 hours x \$100 = \$250; 287.5 hours x \$100 = \$28,750. \$66,667 + \$250 + \$28,750 = \$95,667 total cost to respondents.

⁶ Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, at <https://www.bls.gov/ooh/htm>.

and that an outside contractor may be able to leverage its expertise to substantially reduce the number of hours needed to fulfill a requested assignment. While the Commission is uncertain about the billing rates that these respondents may pay for outside contractors, the Commission believes that such contractor may bill at a rate of several hundred dollars per hour. Any determination to use outside contractors, however, is at the discretion of the respondent.

See Attachment A.

(14) Costs to the Federal Government

No costs are incurred by the Federal Government for direct operation of the Program. No estimate is available regarding staff time expended on the development and supervision of the Program. The SIC, as the Commission's designee, finances its operations by assessing Program participants fees based upon participation status, report/inquiry volume, and use of specialized services. As of January 1, 2025, Accenture, as the Commission's new designee, will finance its operations similarly.

(15) Changes in Burden

The number of institutions that submitted reports has decreased. The previous reports assumed every reporting institution submitted reports. New data has shown that only 115 institutions submitted reports on average.

The Commission is increasing the total burden hour estimate due to the change in vendor operating the Program. Accenture will begin operating the Program on January 1, 2025. To establish SFTP connectivity with Accenture's platform, reporting institutions will incur a onetime hourly burden and an annual burden to maintain connectivity.

(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 OMB expiration date.

(18) Exceptions to Certification

This collection complies with the requirements in 5 CFR 1320.9.

B. Collection of Information Employing Statistical Methods

This collection does not employ statistical methods.

Attachment A

OMB Control Number 3235-0037 – Rule 17f-1(c) and Form X-17F-1A

Reporting and Recordkeeping Burden

Rule	Type of Burden	# Entities Impacted	One-time Responses per Entity	Annual Responses per Entity	One-Time Burden per Entity	One-Time Burden Annualized per Entity	Annual Recurring Burden per Entity	Annual Burden Per Entity per Response	Total Burden Hours	Total Annual Burden Hours	Total Annual Burden Hour Cost of All Responses
17f-1(c)	Third-Party	50	1	-----	40 hours	13.34 hours	-----	-----	2000 hours	666.67 hours	\$66,667
17f-1(c)	Third-Party	50	-----	1	-----	-----	.50 hours	.50 hours	75 hours	25 hours	\$2,500
17f-1(c)	Periodic Reporting	115	-----	30	-----	-----	2.50 hours	.09 hours	862.50 hours	287.50 hours	\$28,750