Broker-Dealer Activity in the United States

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Abstract

The purpose of this paper is to provide background information on registered broker-dealers and their activities over the period 2010-2024. This paper provides an analysis of the industry, structure of activity of different types of broker-dealers, and the revenues and expenses of broker-dealers.

[1] This white paper is provided in the authors' official capacity as economists in the Commission's Division of Economic and Risk Analysis but does not necessarily reflect the views of the Commission, the Commissioners, or other members of the staff. The authors thank Robert Fisher, Oliver Richard, Juan Echeverri, Jovan Stojkovic, Giulio Girardi, Randis Brown, Aysa Dordzhieva, Lauren Moore, Andrew Glickman, Samantha Croffie, and John Prochilo for helpful comments and suggestions.

I. Introduction

Broker-dealers are financial intermediaries that play a crucial role in capital formation by facilitating investor access to capital markets and that enhance the overall liquidity and efficiency of the financial markets through the services and products they provide. Broker-dealers transact in a wide variety of financial products on behalf of retail and institutional customers (in an agency capacity) as well as for their own account (in a principal capacity). In the United States, absent an applicable exemption or exception, persons that meet the definition of "broker" or "dealer" must register with the Commission as broker-dealers under Section 15 of the Securities Exchange Act of 1934 (the "Exchange Act").[2] This paper examines trends in the activity of Commission-registered broker-dealers, including asset size, concentration, complexity and income statement information using regulatory data from broker-dealer Financial and Operational Combined Uniform Single ("FOCUS") Reports.[3]

Under the Exchange Act, a "broker" is generally defined as "any person engaged in the business of effecting transactions in securities for the account of others."[4] The market for broker-dealer services includes many different markets for a variety of services, including (1) managing orders for customers and routing them to various trading venues; (2) providing advice to customers that is in connection with and reasonably related to their primary business of effecting securities transactions; (3) holding retail customers' funds and securities; (4) handling clearance and settlement of trades; (5) intermediating between retail customers and clearing/carrying brokers; (6) dealing in corporate debt and equities, government bonds, and municipal bonds, among other securities; (7) privately placing securities; and (8) effecting transactions in mutual funds that involve transferring funds directly to the issuer.[5] In contrast, under the Exchange Act, a "dealer" is generally defined as "any person engaged in the business of buying and selling securities… for such person's own account, through a broker or otherwise."[6] Dealers engage in a range of activities, such as principal trading of securities, absorbing customer demand into or out of inventory, selling proprietary products, underwriting security placements, making markets and

[2] For more, see, e.g., Division of Trading and Markets, Guide to Broker-Dealer Registration (April 2008), available at https://www.sec.gov/about/divisions-offices/division-trading-markets/division-trading-markets-compliance-guides/guide-broker-dealer-registration#I.
[3] While FOCUS Report data is non-public, the Commission has routinely published aggregated statistics online and in the Commission's Annual Reports. *See, e.g.,* Select Market Data 2017, *available* at https://www.sec.gov/files/2017-select-market-data_v5.pdf.
[4] 15 U.S.C. 78c(a)(4).
[5] *See* 84 FR 33406.
[6] 15 U.S.C. 78c(a)(5).

other activities.[7] Importantly, broker and dealer activities are distinct but not mutually exclusive, and a person can both be a broker and a dealer.

This analysis distinguishes between two groups of broker-dealers: broker-dealers that both clear and carry customer accounts,[8] and other broker-dealers (e.g., clearing broker-dealers that clear but do not carry customer accounts, introducing broker-dealers that do not clear transactions at all, etc.). Carrying broker-dealers have customer cash and securities in custody while clearing broker-dealers clear transactions. Introducing brokers do not execute or clear trades, but introduce customers to carrying broker-dealers, such as for the purpose of handling the operational aspects of trading (e.g., trade execution, clearing, and settlement). In addition to these differences in core business activities, clearing/carrying broker-dealers tend to be larger and more complex. Thus, the analysis below considers the evolution of the broker-dealer industry as a whole and the differences in activities of clearing/carrying broker-dealers, and other broker-dealers.

Broker-dealers register with the Commission before effecting securities transactions or inducing or attempting to induce the purchase or sale of securities.[9] Almost all registered broker-dealers that deal with the public are members of Financial Industry Regulatory Authority ("FINRA").[10] FINRA operates a number of information systems that its members use to make regulatory filings. Through one such system, the eFOCUS system, member broker-dealers must file periodic unaudited confidential financial and operational reports.[11] The data used in this analysis was filed by Commission-registered broker-dealers on FOCUS Report filings.[12] This analysis aggregates annual data for all broker-dealers in the sample, as well as for different groups of

[7] Section 3(a)(5)(A) of the Exchange Act. For more, *see, e.g.,* SEC Staff, *Study on Investment Advisers and Broker-Dealers* (Jan. 2011), *available at*: https://www.sec.gov/news/studies/2011/913studyfinal.pdf.

[8] Clearing/carrying broker-dealers in this analysis are FOCUS Part II filers that self-identify as carrying customer accounts; the majority of such broker-dealers also clear transactions as well.

[9] Specifically, under Exchange Act Section 15(a)(1), "it shall be unlawful for any broker or dealer which is either a person other than a natural person or a natural person not associated with a broker or dealer which is a person other than a natural person (other than such a broker or dealer whose business is exclusively intrastate and who does not make use of any facility of a national securities exchange) to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security (other than an exempted security or commercial paper, bankers' acceptances, or commercial bills) unless such broker or dealer is registered..." *See* 15 U.S.C. 78o(a).

[10] Over-the-counter derivatives dealers do not register with FINRA. In addition, a small number of over-the-counter derivatives dealers that are also registered broker-dealers are registered with CBOE, but not with FINRA.

[11] The eFOCUS system allows member broker-dealers to electronically submit their FOCUS Reports to FINRA. The reporting program for broker-dealers is codified in Exchange Act Rule 17a-5. *See* 17 CFR § 240.17a-5. *See also* 17 CFR § 249.617.

[12] *See* 17 CFR 240.17a-5; 17 CFR 249.617. The FOCUS Reports are: Form X-17A-5 Schedule I (https://www.sec.gov/files/formx-17a-5_1.pdf); Form X-17A-5 Part II (https://www.sec.gov/files/formx-17a-5_2.pdf); Form X-17A-5 Part IIA (https://www.sec.gov/files/formx-17a-5_2f.pdf); and Form X-17A-5 Part III (https://www.sec.gov/files/formx-17a-5_3.pdf). FOCUS Reports are deemed confidential under Rule 17a-5(a)(2).

broker-dealers. This paper sheds light on how the size and structure, industry concentration, complexity and business models of broker-dealers have evolved over time.

II. Data

The paper analyzes data between 2010 and 2024. The data was collected from: (1) the Part II form filed monthly and the Part IIA form filed quarterly or monthly by broker-dealers; and (2) annual Schedule I filings. Accordingly, this analysis covers Part II data and Schedule I data during the period between Q1 2010 and Q4 2024 ("the sample period"). The sample excludes security-based swap dealers that are not registered broker-dealers, but it includes over-the-counter derivatives dealers that are also registered broker-dealers.

Several data cleaning procedures are employed for missing observations, data errors and influential observations. The sample removes observations with missing identifiers. For the purposes of this analysis, observations with missing or zero total assets in a particular year are excluded. Duplicate filings of Part II quarterly data are removed, and clearly erroneous entries, such as entries with negative total assets, are dropped. Finally, due to seasonality and for sample completeness, the analysis is performed using Q4 data.

This analysis distinguishes between brokers-dealers that both clear and carry ("clearing/carrying" broker-dealers) and other brokers-dealers. Financial responsibility requirements, as well as associated FOCUS reporting obligations, vary for broker-dealers that carry customer accounts and clear transactions and other broker-dealers, such as introducing brokers. Both Part II and Schedule I data separately identify entity types. Generally, larger broker-dealers file more frequently and provide more information about their business than do smaller firms. Thus, Part II and IICSE[13] forms which require more extensive information are filed largely by clearing/carrying broker-dealers, while Part IIA forms which require less information are filed by introducing brokers. Meanwhile, the Schedule I form identifies clearing status using designated form fields. This analysis relies exclusively on Part II data to identify clearing/carrying broker-dealers based on information reported in item 0040.

[13] Prior to 2020, a small subset of broker-dealers included in the analysis filed Part IICSE filings. While this filing was deprecated with the last filings received in 2020, these broker-dealers continued to file the same relevant data in Part II filings, so this has no effect on the analysis.

III. Analysis

Size and Asset Concentration

Table 1 reports the number and combined assets of broker-dealers by size category in 2024. As of 2024, there were approximately 3,340 broker-dealers with total assets[14] of approximately $6.4 trillion. By count, the broker-dealer industry appears to be dominated by small broker-dealers, with a small handful of entities in the right tail of the asset size distribution. For instance, approximately 67% of broker-dealers in the sample have less than $5 million in assets, and 94% of broker-dealers have less than $500 million in assets. However, broker-dealer assets are highly concentrated in the broker-dealer industry: broker-dealers with less than $500 million in total assets represented less than 1% of the total industry assets in 2024. In turn, approximately 2% of broker-dealers account for approximately 94% of total assets.

Table 1: Structure of the Broker-Dealer Industry by Asset Size, 2024

Asset Size	Number	Total Assets
<=500K	1,176	193
500K-5M	1,053	1,968
5M-50M	663	10,962
50M-100M	130	9,150
100M-500M	131	28,846
500M-1B	42	29,661
1B-5B	50	130,041
5B-10B	20	148,202
10B-100B	64	2,263,566
>100B	12	3,793,558

Next, the analysis considers the evolution in the number and asset size of registered broker-dealers. Table 2 shows the number and assets of registered broker-dealers by type, and Figure 1 illustrates the evolution of broker-dealer assets over time. The number of broker-dealers declined by approximately 30% in the sample period, from 4,758 in 2010 to 3,341 in 2024. Decomposing the sample into clearing/carrying firms and other firms, both groups of entities experienced significant consolidation. The number of clearing/carrying firms declined from 247 in 2010 to 158 in 2024, while the number of other firms declined from 4,511 in 2010 to 3,183 in 2024. Throughout the sample period, clearing/carrying firms consistently represented between

[14] This analysis is based on total assets reported in FOCUS filings (item 0940) and represents broker-dealer balance sheet total assets. These include, among other things, cash holdings, receivables from brokers/dealers and clearing organizations, receivables from customers and non-customers, holdings of municipal securities, corporate securities, stocks and warrants, options and derivatives receivables, securities and other investments that are not readily marketable, reverse repo agreements, and other assets.

approximately 4% and 5% of all broker-dealers by count. In 2010, more than 4,700 broker-dealers accounted for less than $4.7 trillion in assets; in 2024, less than 3,400 broker-dealers accounted for approximately $6.4 trillion in assets. These results show a trend of industry consolidation, with a declining fraction of market participants responsible for a larger asset pool by the end of the sample period. Clearing/carrying firms consistently represented well over three quarters or more of all assets in a given year, although their relative weight in total broker-dealer assets has steadily declined from 93% in 2010 to 81% in 2024.

Table 3 reports the number and combined asset share of the largest one percent and five percent of broker-dealers. While the largest five percent of firms consistently represent around 99% of assets throughout the sample period, these data indicate gradual declines in the share of the one percent largest firms, from approximately 94% in 2010 to just over 79% in 2024.[15]

Table 2: Structure of the Broker-Dealer Industry by Clearing/Carrying Activity

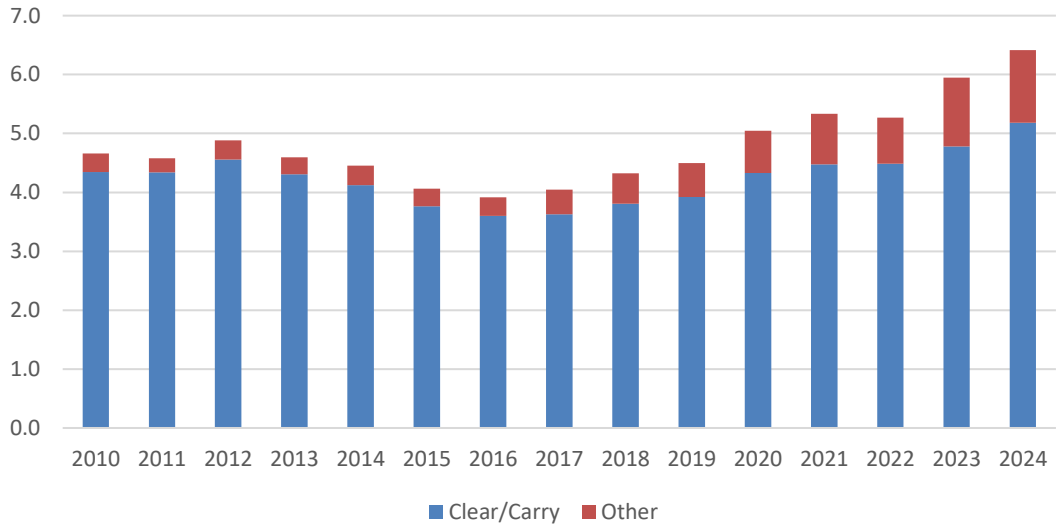
	All		Clearing/Carrying		Other	
Year	Number	Volume (USD Bln)	Number	Volume (USD Bln)	Number	Volume (USD Bln)
2010	4,758	4,657.8	247	4,344.4	4,511	313.4
2011	4,589	4,579.6	232	4,338.1	4,357	241.5
2012	4,512	4,881.3	214	4,554.5	4,298	326.8
2013	4,369	4,595.7	205	4,309.1	4,164	286.6
2014	4,297	4,455.0	191	4,125.1	4,106	329.9
2015	4,149	4,063.5	185	3,762.6	3,964	300.9
2016	4,024	3,917.1	183	3,599.9	3,841	317.2
2017	3,895	4,044.9	173	3,625.9	3,722	419.0
2018	3,794	4,322.7	170	3,806.0	3,624	516.6
2019	3,690	4,498.5	176	3,923.1	3,514	575.4
2020	3,583	5,045.1	162	4,329.6	3,421	715.4
2021	3,527	5,334.9	157	4,475.7	3,370	859.2
2022	3,513	5,267.2	156	4,487.7	3,357	779.5
2023	3,427	5,946.9	158	4,781.7	3,269	1,165.3
2024	3,341	6,416.1	158	5,181.7	3,183	1,234.4

[15] This finding is only partially driven by the overall reduction in the number of broker-dealers in the sample, as the top 48 broker-dealers in 2024 accounted for only 86% of total assets, compared to 94% of total assets in 2010.

Table 3: Asset Concentration in the BD industry: Top 1st and 5th Percentiles

Year	Top 1%		Top 5%	
	Number	Asset Share	Number	Asset Share
2010	48	93.8	238	99.4
2011	46	93.4	230	99.5
2012	46	92.4	226	99.4
2013	44	90.8	219	99.3
2014	43	89.4	215	99.2
2015	42	89.3	208	99.2
2016	41	88.1	202	99.2
2017	39	85.6	195	99.1
2018	38	83.5	190	99.1
2019	37	81.2	185	99.1
2020	36	80.7	180	99.1
2021	36	79.7	177	99.0
2022	36	79.7	176	99.0
2023	35	78.5	172	99.0
2024	34	79.1	168	99.0

Figure 1: Total assets of Broker-Dealers (USD Trln), by Type[16]

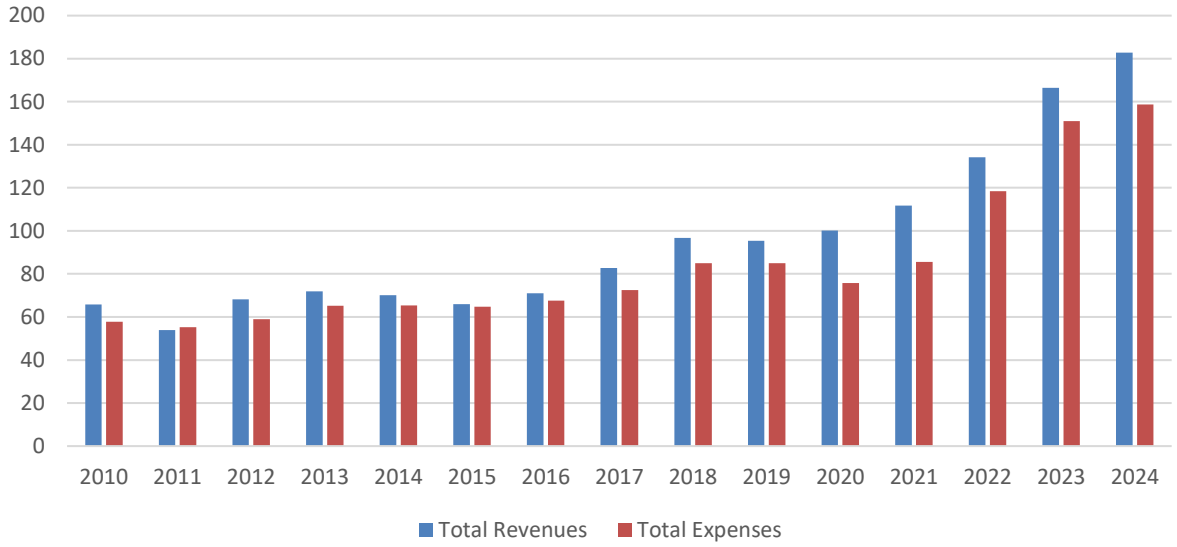


[16] As discussed in the data section, the sample includes four large entities that are also registered with the Commission as OTC derivative dealers.

Income Statement Information

This section presents statistics about broker-dealer revenues and expenses. Figure 2 plots total reported revenues and total reported expenses of all broker-dealers in the sample. The broker-dealer industry's annual performance has, with one or two exceptions, remained generally profitable during the relevant period (i.e., total revenues have exceeded total expenses). The industry has achieved greater levels of profitability during the most recent five years.

Figure 2. Total Broker-Dealer Revenues and Expenses (USD Bln)



Revenues

Figure 3 reports the share of combined total revenues of all broker-dealers in the sample from each revenue line in 2024, as reported in FOCUS reports. Revenue from fees for account supervision, investment advisory and administrative services[17] was one of the largest itemized revenue sources for broker-dealers in 2024, constituting 19% of total revenue. Losses or gains from securities trading and investment accounts represented 12% of total broker-dealer revenue, and margin interest accounted for 7%. Revenues from underwriting and selling groups, including equity underwriting, accounted for 6% of all broker-dealer revenue. Revenue from research services and commodities revenue comprised the lowest share of total revenue at 0.1% and 1% of total revenue, respectively. Notably, revenue category subtotals in Figure 3 represent

[17] This information was obtained based on data item 3975 in FOCUS reports. *See* https://www.sec.gov/files/formx-17a-5_2f.pdf.

combined revenues for the sample as a whole and generally need not be representative of the business model of any particular broker-dealer.[18]

Figure 3: Revenue Structure, 2024

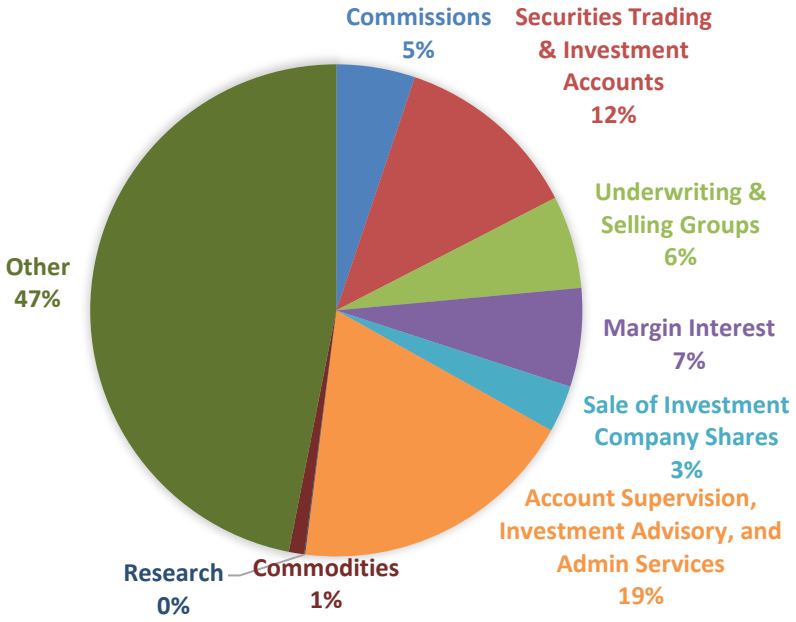


Figure 4 reports the time series of broker-dealer revenues by source.[19] First, the data show an economically significant decline in the role of commissions and revenue from the sale of investment company shares as sources of broker-dealer revenue. The share of commissions in total broker-dealer revenues declined from approximately 18% in 2010 to approximately 5% in 2024, while revenue from the sale of investment company shares[20] declined from approximately 8% in 2010 to approximately 3% in 2024. At the same time, revenue from fees for account

[18] A median broker-dealer in 2024 reported only 2 revenue sources, with only the top 1% of broker dealers reporting 7 or more revenue sources.

[19] "Other revenue" includes other revenue related to securities business, other revenue unrelated to securities business, and other interest (interest earned on proprietary bank deposits and deposits with clearing agencies). Broker-dealers with "Other Revenue" exceeding $5,000 and 10% of total revenue must describe three largest components of "Other Revenue" in items 11.B-1 through 11.B-3 in the Supplemental Statement of Income. *See id.* Sorting by largest amount, these write-in "Other Revenue" components include, among others: distribution, sales, and marketing fees; technical, and other service fees; intercompany reimbursements; transaction fees; expense sharing agreements; sponsor support; option rebates; exchange rebates; loan syndication fees; asset-backed securities fees; sale of options market maker specialist rights; outsourcing revenue; and transfer price income reallocated from other entities.

[20] This data item includes income from the sale of open-end investment company shares as retailer and as an underwriter, including sales of periodic payment plans of the installment type and face amount certificates. It excludes income from sale and underwriting of shares of closed-end investment companies. *See* Focus Report Part II Instructions, available at https://www.sec.gov/files/formx-17a-5_22.pdf.

supervision, investment advisory and administrative services[21] rose from approximately 13% in 2010 to 19% in 2024, and losses or gains from securities trading rose from approximately 5% in 2010 to approximately 12% in 2024.

Table 4 reports the fraction of broker-dealers reporting revenue in a particular business line during the sample period. Of the itemized revenue sources in 2024, 39% of broker-dealers reported revenue from commissions, approximately 28% reported losses or gains from securities trading, just over a quarter reported revenue from sales of company shares,[22] and 22% reported revenue from account supervision and advisory fees. Consistent with prior findings on the role of commissions businesses and investment advisory activities, Table 4 shows a steady decline in the number of firms reporting securities commissions as a revenue source, declining from 52% in 2010 to 39% in 2024.

[21] Fees earned for account supervision are those fees charged by the firm for providing investment advisory services where there is no fee charged for trade execution. "Investment advisory services" generally encompass investment advisory work and execution of client transactions, e.g., wrap arrangements. This data item includes fees charged by broker-dealers that are also registered with the CFTC. *See, e.g.,* Supplemental Statement of Income General Instructions, available at https://www.finra.org/sites/default/files/NoticeAttachment/p125702.pdf

[22] Revenue from sale of investment company shares includes revenue earned from assisting in or facilitating the purchase or sale of the referenced instruments. This may include, among other things, concessions earned from the sales of open-end mutual funds that contain a load, commissions charged on transactions in no-load funds, as well as revenue from unit investment trusts to the extent that they are open-end companies. *See, e.g.,* FINRA, Regulatory Notice 12-11, Supplemental FOCUS Information and Attachment B (Feb. 2012), available at: https://www.finra.org/rules-guidance/notices/12-11; and the General Instructions to the Supplemental Statement of Income in Attachment B, available at: *https://www.finra.org/sites/default/files/NoticeAttachment/p125702.pdf*

Figure 4: Revenue by Source

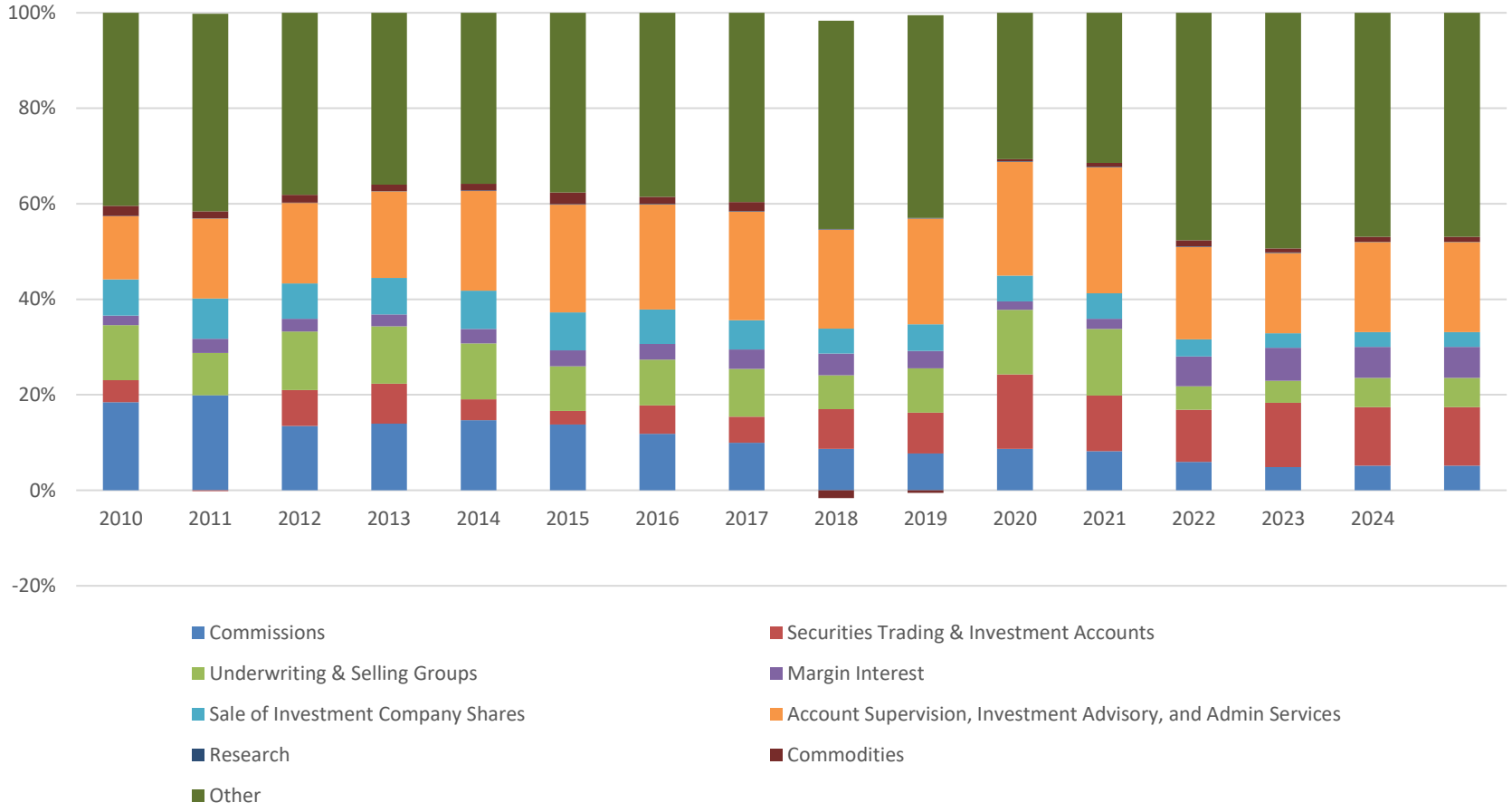


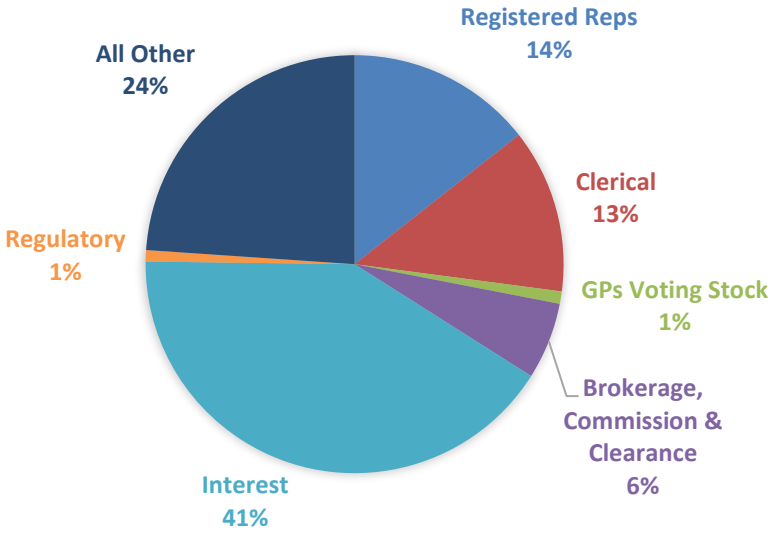
Table 4: Fraction of BDs with Revenue Sources (%)

Year	Commissions	Securities Trading & Investment Accounts	Underwriting & Selling Groups	Margin Interest	Sale of Investment Company Shares	Account Supervision, Investment Advisory, and Admin Services	Research	Commodities	Other
2010	52.0	32.7	12.5	2.6	31.6	22.6	0.8	2.9	83.0
2011	51.7	32.5	16.3	2.7	31.7	22.8	1.0	2.9	82.4
2012	50.0	33.8	18.1	2.7	32.2	24.4	1.4	3.6	83.3
2013	48.7	33.2	18.3	2.8	32.0	24.5	1.6	3.5	83.9
2014	47.3	32.5	17.4	2.7	31.3	24.1	1.8	3.4	82.9
2015	46.3	30.9	17.1	2.8	31.1	23.6	2.0	3.2	81.2
2016	44.7	30.4	17.3	2.6	30.7	23.5	2.0	3.3	81.5
2017	43.5	29.7	17.0	2.6	29.9	23.8	2.1	3.2	82.5
2018	43.1	30.2	17.2	2.7	29.8	23.6	2.2	3.1	82.9
2019	42.0	28.7	17.7	2.8	29.1	23.0	2.2	3.2	84.0
2020	41.4	28.2	17.7	3.0	28.4	22.5	2.3	3.1	82.2
2021	40.9	28.1	18.2	3.0	27.6	22.1	2.2	3.0	81.5
2022	39.7	28.2	17.1	3.0	27.0	21.8	2.2	2.8	82.2
2023	39.0	28.6	16.9	3.3	26.3	21.5	2.0	2.9	83.6
2024	38.9	28.4	17.7	3.4	26.0	22.0	2.1	2.8	83.9

Expenses

Figure 5 shows a decomposition of expenses for all broker-dealers in the sample using 2024 data. The largest itemized expenditures for broker-dealers were interest expense (41%),[23] compensating registered representatives (14%), and expenses on clerical and administrative employees (13%) in 2024. Brokerage commissions and clearance costs (including securities and commodity commissions, clearance fees, and fees paid to exchanges and floor brokerage paid to other brokers) accounted for 6% of all expenses, while regulatory fees and expenses and salaries and employment costs for general partners and voting stockholder officers comprised 1% each.

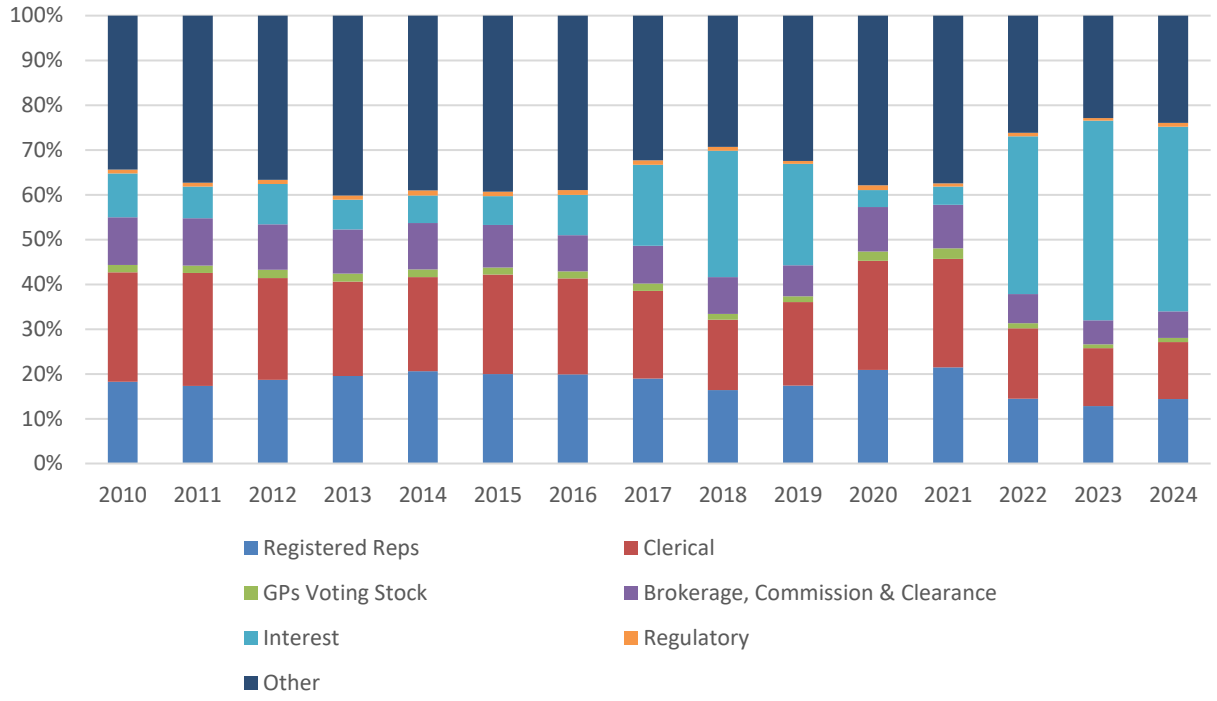
Figure 5: Expense Structure, 2024



Changes in the structure of broker-dealer expenses over time are reported in Figure 6 and reflect both the evolving business models of broker-dealers and recent macroeconomic trends. Specifically, large increases in interest expenses in 2022-2024 coincided with macro trends in interest rate cycles.

[23] This category includes interest paid to banks and on customers' accounts and on all other unsubordinated and subordinated borrowings.

Figure 6: Expense by Source



One of the expense items reported in FOCUS Reports is regulatory fees and expenses. According to the instructions for Part IIA, firms are reporting "fees paid to regulatory bodies in order to conduct a securities business [such as] … payments for registration of registered representatives, SECO fees, [FINRA] fees and exchange members' dues... direct expenditures to meet reporting requirements imposed by regulatory bodies such as legal and audit fees for annual audit required by Rule 17a-5 … and service bureau changes required to complete various surveys ...." The instructions also require firms to exclude SIPC assessments, which are reported in "Other expenses." Fees paid to exchanges on commission revenue are also excluded by the instructions and reported as "Other expenses."[24]

Table 5 shows average regulatory fees as a percentage of total assets by quintile of total assets. In 2024, firms in the bottom 20% of the asset size distribution had regulatory fees representing an average 5.5% of total assets, whereas firms in the top 20% by asset size had average regulatory fees of just 0.3% of total assets. In addition, regulatory fees as a percentage of total assets appear to have declined during the sample period.

Two caveats are essential for the interpretation of these results. First, Table 5 scales regulatory fees by total assets, and changes in this metric may reflect both changes in regulatory fees and

[24] *See* Instructions to Form X-17A-5 Part IIA, *available at* https://www.sec.gov/files/formx-17a-5_2a.pdf.

changes in the size of a broker-dealer's balance sheet. As can be seen from Figure 6 above, in aggregate, regulatory fees represent a small fraction of total broker-dealer industry expenses, averaging approximately 0.88% of all expenses in 2024. However, Table 5 shows that there is significant variation in the measure. Second, as referenced earlier, the regulatory fees data item does not capture the totality of regulatory economic burdens, but only serves as a component thereof. For example, this measure does not reflect the costs of litigation or legal settlements, which may be higher for larger firms.

Table 5: Regulatory Fees as % of Total Assets, by Total Asset Quintile

Year	1st Quintile (Smallest 20% of BDs by total assets)	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile (Largest 20% of BDs by total assets)
2010	7.4	3.1	2.0	1.2	0.4
2011	6.9	2.9	1.7	1.1	0.3
2012	6.4	2.6	1.9	1.0	0.3
2013	7.1	2.8	1.7	0.8	0.4
2014	6.6	2.9	1.7	0.8	0.4
2015	6.3	3.1	1.7	0.9	0.4
2016	6.0	2.7	1.7	0.9	0.4
2017	5.8	2.6	1.3	0.8	0.3
2018	6.5	2.3	1.4	0.8	0.3
2019	5.1	2.3	1.1	0.8	0.3
2020	5.6	2.1	1.1	0.6	0.2
2021	5.4	1.9	1.0	0.6	0.2
2022	5.1	2.0	0.9	0.6	0.3
2023	5.7	2.1	1.0	0.6	0.2
2024	5.5	2.2	1.1	0.7	0.3

Employees and Customers

This section provides additional information about employment in the broker-dealer industry and across subgroups of firms, the distribution of customer accounts carried by clearing/carrying broker-dealers, and organizational complexity of broker-dealers with branch offices.

Figure 7 plots the total number of employees in the broker-dealer industry, distinguishing between employees at clearing/carrying and other broker-dealers. There are two main observations in broker-dealer employment. First, throughout the sample period, clearing/carrying broker-dealers account for the majority (between approximately 52% and 65%) of all employees active in the industry. Second, the total number of broker-dealer employees has grown slightly during the sample period, but this growth is far outpaced by the corresponding rise in broker-dealer assets.

Table 6 reports the employee share of the largest 1% and 5% of broker-dealers by employee count. Employment remained highly concentrated in the largest broker-dealers throughout the sample period. For example, the top 1% of broker-dealers by employee count reported having 64% of all employees, and the top 5% of broker-dealers by employee count accounted for approximately 84% of all employees in the sample in 2024.

Figure 7: Employees by Broker-Dealer Type

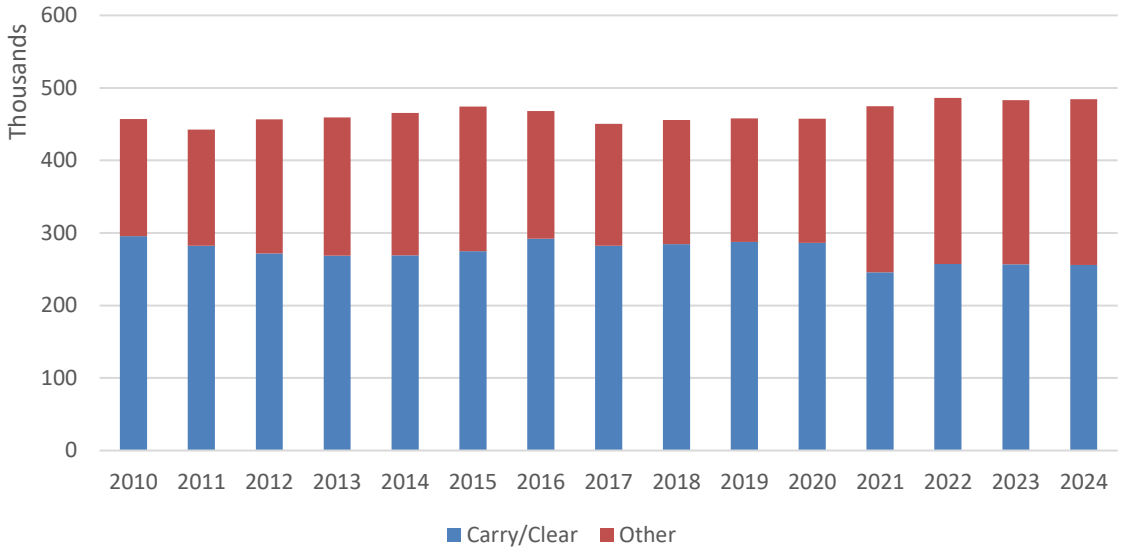


Table 6: Employee Concentration

Year	Top 1% (# of firms)	Top 1% (employee share)	Top 5% (# of firms)	Top 5 (employee share)
2010	34	63.4	166	82.6
2011	34	62.6	168	82.0
2012	34	63.7	170	82.3
2013	34	64.1	168	82.9
2014	34	64.3	169	83.1
2015	33	64.4	163	83.0
2016	32	64.9	158	83.2
2017	30	63.5	149	82.9
2018	29	63.8	144	83.0
2019	28	63.4	138	83.1
2020	27	63.1	131	83.0
2021	26	63.0	129	83.4
2022	26	63.2	128	83.7
2023	25	64.3	123	83.8
2024	24	63.8	118	83.6

Next, Table 7 quantifies employment at the broker-dealer level and presents the distribution of employee counts in 2024. Most broker-dealers have few employees, with a median broker-dealer having approximately 11 employees, and three quarters of firms having 40 employees or fewer in 2024. However, firms are significantly larger in the right tail of the distribution. Broker-dealers in the top one percentile by employee count employed at least 3,599 persons in 2024. Similar to the earlier findings on asset size, clearing/carrying firms are significantly larger than the median broker-dealer, with the median clearing/carrying firm reporting more than eight times the median number of employees in the full sample in 2024. Clearing/carrying firms in the top one percentile by employee count had at least 29,900 employees per broker-dealer during the sample period.

Table 7: Distribution in the Number of Employees per BD, 2024

Indicator	All BDs	Clearing/Carrying BDs
25%-ile	4	29
Median	11	142
75th %-ile	40	786
99th %-ile	3,599	29,900

Table 8 and Figure 8 show the distribution of public customer accounts by clearing/carrying broker-dealers.[25] While the median broker-dealer reporting accounts had only approximately 17,250 accounts in 2024, the top 1% of broker-dealers carrying customer accounts carried approximately 36.5 million customer accounts. In addition, customer accounts have become significantly more concentrated in the right tail of the distribution, with the 75th percentile and 99th percentile broker-dealers exhibiting significant growth in customer accounts in the last several years.

[25] This analysis is based on Schedule I, data item 8080 "public customer accounts" that must be reported by carrying firms filing X-17A-5 Part II. Public customer accounts must be considered "active" (have a non-zero cash or securities balance at the end of the reporting period) to be included in the count. This analysis does not include omnibus accounts carried for other brokers at the end of the reporting period. Note that there may be a double-counting of customer accounts among, in particular, the larger broker-dealers as they may report introducing broker-dealer accounts as well in their role as clearing broker-dealers.

Table 8. Customer Accounts

Year	25th %-ile	Median	75th %-ile
2010	630	5,540	92,720
2011	800	6,934	98,342
2012	800	6,059	107,623
2013	761	7,529	118,135
2014	800	7,386	127,858
2015	955	8,536	133,866
2016	623	7,030	153,195
2017	395	8,633	161,910
2018	363	8,536	212,174
2019	421	7,626	193,000
2020	718	10,233	239,630
2021	749	8,042	248,592
2022	526	7,606	237,454
2023	896	19,245	258,147
2024	961	17,253	293,944

Figure 8: Customer Accounts Reported by the 99th %-ile Broker-Dealer by Customer Count

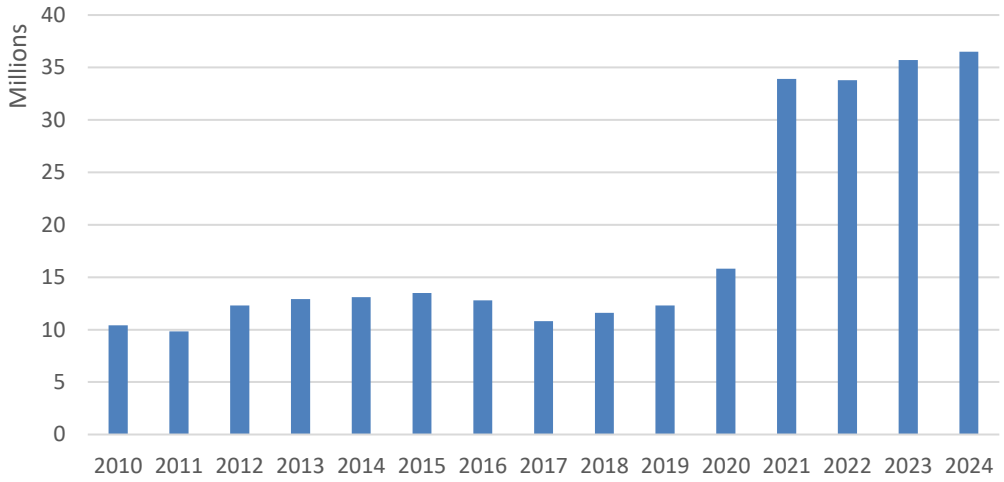


Table 9 reports organizational complexity measured by the number of branch offices. The median broker-dealer has 2 offices, and 75% of broker-dealers in the sample have 5 or fewer offices. However, there has been a steady rise in organizational complexity of the largest broker-dealers, with 1% of firms having 1,354 or more branch offices by 2024.

Table 9. Complexity: Branch offices

Year	25th %-ile	Median	75th %-ile	99th %-ile
2010	1	2	6	1,275
2011	1	2	6	1,120
2012	1	2	6	1,225
2013	1	2	5	1,194
2014	1	2	5	1,162
2015	1	2	5	1,170
2016	1	2	5	1,161
2017	1	2	5	1,165
2018	1	2	5	1,089
2019	1	2	5	1,156
2020	1	2	5	1,140
2021	1	2	5	1,129
2022	1	2	5	1,201
2023	1	2	5	1,306
2024	1	2	5	1,354

Geographic Distribution of Broker-Dealer Activity

Finally, Figure 9 and Figure 10 illustrate the geographic distribution of broker-dealers in 2024. New York, California, Florida, Illinois, and Texas have the most broker-dealers by count, representing approximately 29%, 10%, 8%, 7%, and 6% of all registered broker-dealers with a principal place of business in the lower 48 states, respectively. Broker-dealer assets are even more highly geographically concentrated: New York represents approximately 76% of all assets of broker-dealers with their principal place of business in the lower 48 states, with the next 4 largest states being Illinois, Florida, Connecticut, and Texas accounting for approximately 5%, 4%, 4%, and 3% respectively.

Figure 9. Geographic Distribution of Broker-Dealers by Count, 2024

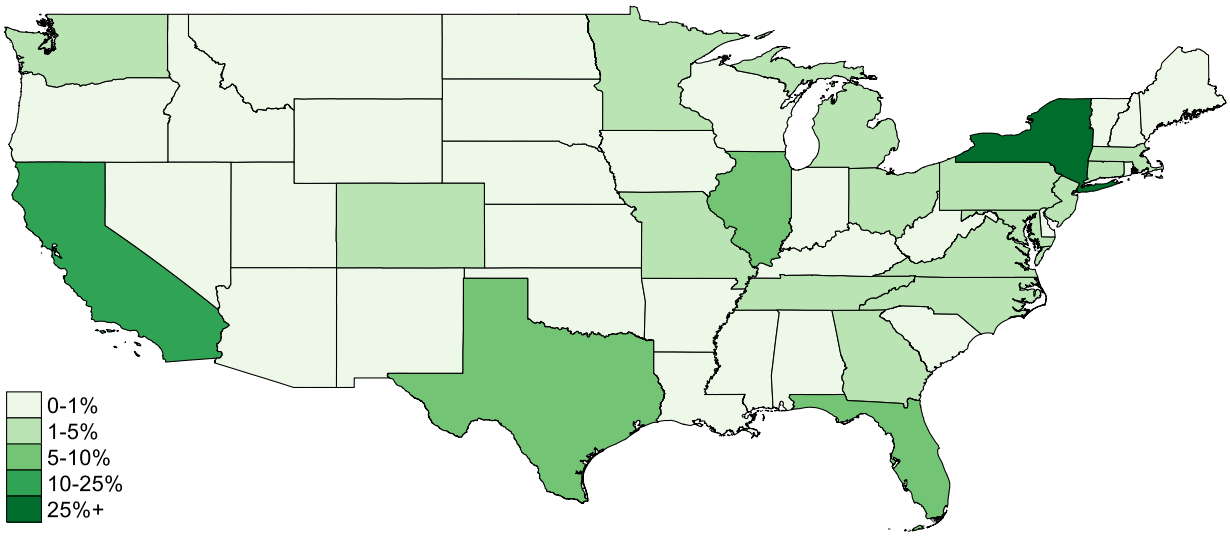


Figure 10. Geographic Distribution of Broker-Dealers by Assets, 2024