

SUPPORTING STATEMENT

Regulation SBSR – Reporting and Dissemination of Security-Based Swap Information

A. JUSTIFICATION

1. Necessity for the Information Collection

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”).¹ The Dodd-Frank Act amends the Exchange Act to require the Commission to adopt rules providing for, among other things (i) the reporting of security-based swaps (“SBSs”) to a registered security-based swap data repository (“SDR”) or to the Commission; and (ii) real-time public dissemination of SBS transaction, volume, and pricing information. Pursuant to Sections 763 and 766 of Title VII of the Dodd-Frank Act, the Commission is proposing Regulation SBSR to fulfill these requirements.

In general, Regulation SBSR would provide for the reporting of three broad categories of SBS information: (1) information that would be required to be reported to a registered SDR in real time and publicly disseminated; (2) additional information that would be required to be reported to a registered SDR or, if there is no registered SDR that would receive such information, to the Commission, within specified timeframes, but that would not be publicly disseminated; and (3) information about “life cycle events”, as defined in proposed Rule 900 that would be reported as a result of a change to information previously reported for a SBS. Regulation SBSR would identify the SBS transaction information that would be required to be reported, establish reporting obligations, and specify the timeframes for reporting. In addition, Regulation SBSR would require a registered SDR to publicly disseminate certain SBS information in real time. Proposed Regulation SBSR also would require a registered SDR to register with the Commission as a securities information processor (“SIP”) on existing Form SIP.

In addition, pursuant to proposed Regulation SBSR, registered security-based swap data repositories would be required to establish and maintain certain policies and procedures regarding how transaction data are reported and disseminated, and participants of registered security-based swap data repositories that are security-based swap dealers or major security-based swap participants would be required to establish and maintain policies and procedures that are reasonably designed to ensure that they comply with applicable reporting.

2. Purpose of the Information Collection

The information reporting pursuant to proposed Regulation SBSR will fulfill the Congressional mandate for the Commission to provide for, among other things: (i) the reporting of security-based swaps (“SBSs”) to a registered security-based swap data repository (“SDR”) or to the Commission; and (ii) real-time public dissemination of SBS transaction, volume, and pricing information. The reporting pursuant to proposed Regulation SBSR will: provide insight

¹ The Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 11-203, H.R. 4173).

about the size and operation of the SBS market and a benchmark against which to assess the development of the security-based swap market over time; provide the Commission information to assist with its analysis of the SBS market; be used to assess activities and risks in the security-based swap markets or securities markets more generally; facilitate general market oversight; and facilitate the reports the Commission is required to provide to Congress on security-based swaps and the security-based swaps marketplace.²

3. Role of Improved Information Technology

Proposed Regulation SBSR is drafted to utilize information technology in the collection of information. Reporting parties should electronically report SBS transaction data to SDRs and SDRs would disseminate transaction data and corrections electronically. Further, SDRs must make their policies and procedures, along with other information, publicly available on their websites. The Commission is also proposing a phased-in approach to real-time dissemination in order to allow market participants sufficient time to effectively implement necessary technology systems and make necessary technological preparations for Regulation SBSR. Over time, the Commission expects that the burden will be reduced due to future technology enhancements. The Commission is not aware of any technical or legal obstacles to reducing the burden through the use of improved information technology.

4. Efforts to Identify Duplication

Section 712(a)(2) of the Dodd-Frank Act provides that, before commencing any rulemaking regarding, among other things, SBSs or SDRs, the Commission must consult and coordinate with the Commodity Futures Trading Commission (“CFTC”) and other prudential regulators for the purposes of assuring regulatory consistency and comparability, to the extent possible. As a result, the Commission staff and the CFTC staff have consulted and coordinated with one another regarding their respective Commissions’ proposed rules regarding real time reporting and transaction reporting. The Commission staff has also consulted and coordinated with other prudential regulators.

5. Effect on Small Entities

Not applicable. Proposed Regulation SBSR would not have a significant economic impact on a substantial number of small entities.

6. Consequences of Less Frequent Collection

Collecting the information on a less frequent basis would frustrate the purposes of the Congressional mandate to provide for real-time public dissemination of SBS transaction, volume, and pricing information.

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

² See Section 719 of the Dodd-Frank Act.

17 CFR 242.901(b) provides that if there is no registered security-based swap data repository that would accept information pertaining to a security-based swap, reporting parties should report to the Commission. That scenario is unlikely; however, it could occur more than quarterly if it occurred, which would conflict with 5 CFR 1320.5(d)(2)(i). Nonetheless, the Commission believes that this requirement is necessary to satisfy the statutory requirement set forth in the Dodd-Frank Act that the Commission provide for the real-time public dissemination of SBS transaction, volume, and pricing information.³

8. Consultation Outside the Agency

The Commission has been coordinating extensively with the CFTC as well as various participants in the swaps industry in formulating proposed Regulation SBSR. Further, the Commission has consulted with industry participants for many of the collections of information that would be required by proposed Regulation SBSR and has incorporated what it has learned as a result of these consultations into its burden estimates.

The Commission has issued a release soliciting comment on the new “collection of information” requirements and associated paperwork burdens. A copy of the release is attached. Comments on Commission releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings and informal exchanges. Any comments received on this proposed rulemaking will be posted on the Commission’s public website, and made available through <http://www.sec.gov/comments/s7-34-10/s73410.shtml>. The Commission will consider all comments received prior to publishing the final rule, and will explain in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

The Commission has received one comment on new collection of information requirements and associated paperwork burdens that generally supports the Commission’s analysis.⁴

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

Some information collected pursuant to proposed Regulation SBSR would be widely available to the extent it is information that is required to be publicly disseminated. However, SDRs are generally under an obligation to maintain the confidentiality of information collected pursuant to proposed Rule 901, and pursuant to Section 13(n)(5) of the Exchange Act and proposed Rule 13n-9 thereunder. To the extent that the Commission receives confidential information pursuant to proposed Regulation SBSR, such information would be kept

³ See 15 U.S.C. 78m(m)(1)(B).

⁴ See letter from Chris Barnard, dated December 3, 2010, at 4.

confidential, subject to the provisions of the Freedom of Information Act.

11. Sensitive Questions

Not applicable.

12. Estimate of Reporting Burden

The total reporting burden for proposed Regulation SBSR for all respondents is 1,194,220 hours initially, with a total annual burden thereafter of 5,457,360 hours. This burden is broken down by collection of information below.

a. Reporting Obligations

The Commission preliminarily believes that the requirement to report SBS transactions to a registered SDR or to the Commission pursuant to proposed Rule 901 would impose a one-time burden on each respondent of approximately 707 burden hours. The Commission currently estimates that 1000 entities will be subject to this burden. Accordingly, the Commission estimates that the one-time initial reporting obligation burden for all reporting parties would be approximately 707,000 hours, which includes development of an internal order and trade management system (“OMS”) capable of capturing relevant SBS transaction information, implementation of a reporting mechanism, and establishment of an appropriate compliance program and support for the operation of the OMS and reporting mechanism.⁵ Further, the Commission preliminary estimates that the ongoing annualized burden would be 734 burden

⁵ Based on this estimate, the total one-time labor cost for all respondents to establish systems and compliance programs to report SBS transactions pursuant to proposed Rule 901 would be approximately \$194,897,000. This figure is based on the following: **[Costs associated with developing an OMS System** ((Sr. Programmer (160 hours) at \$285 per hour) + (Sr. Systems Analyst (160 hours) at \$251 per hour) + (Compliance Manager (10 hours) at \$294 per hour) + (Director of Compliance (5 hours) at \$426 per hour) + (Compliance Attorney (20 hours) at \$291 per hour))] + **[Costs associated with implementation** ((Sr. Programmer (80 hours) at \$285 per hour) + (Sr. Systems Analyst (80 hours) at \$251 per hour) + (Compliance Manager (5 hours) at \$294 per hour) + (Director of Compliance (2 hours) at \$426 per hour) + (Compliance Attorney (5 hours) at \$291 per hour))] + **[Costs associated with establishment of compliance and support program** ((Sr. Programmer (100 hours) at \$285 per hour) + (Sr. Systems Analyst (40 hours) at \$251 per hour) + (Compliance Manager (20 hours) at \$294 per hour) + (Director of Compliance (10 hours) at \$426 per hour) + (Compliance Attorney (10 hours) at \$291 per hour))] x (1,000 reporting parties) = \$194,897,000. Hourly figures cited in this memorandum are from SIFMA’s *Management & Professional Earnings in the Securities Industry 2009* and SIFMA’s *Office Salaries in the Securities Industry 2009*, modified by Commission staff to account for an 1800-hour work-year and multiplied by 5.35 or 2.93, as appropriate, to account for bonuses, firm size, employee benefits, and overhead.

hours per reporting party, which corresponds to 734,000 burden hours in the aggregate.⁶ We estimated one response per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 969.67 hours per response.⁷ This collection is a third party disclosure type of collection.⁸

Proposed Rule 901(f) and (g) would also require a registered SDR to time-stamp information that it receives and assign a unique transaction ID to each SBS it receives. The Commission currently estimates that 10 entities will be subject to this burden. The Commission estimates that proposed Rule 901(f) and (g) would impose an initial one-time aggregate burden of 1,200 burden hours, which corresponds to 120 burden hours per respondent.⁹ Further, the Commission estimates that proposed Rule 901(f) and (g) would impose an aggregate ongoing annualized burden of 1,520 burden hours, which corresponds to 152 burden hours per

⁶ Based on this estimate, the total ongoing annual labor cost for all respondents to maintain systems and compliance programs to report SBS transactions pursuant to proposed Rule 901 would be approximately \$115,116,000. This figure is based on the following: **[Costs associated with capturing data]** ((Sr. Programmer (32 hours) at \$285 per hour) + (Sr. Systems Analyst (32 hours) at \$251 per hour) + (Compliance Manager (60 hours) at \$294 per hour) + (Compliance Clerk (240 hours) at \$59 per hour) + (Director of Compliance (24 hours) at \$426 per hour + (Compliance Attorney (48 hours) at \$291 per hour))) + **[Costs associated with maintaining operational reporting system]** ((Compliance Clerk (40 hours) at \$59 per hour) + (Sr. Computer Operator (40 hours) at \$76 per hour))) + **[Costs associated with maintaining compliance and support program]** ((Sr. Programmer (16 hours) at \$285 per hour) + (Sr. Systems Analyst (16 hours) at \$251 per hour) + (Compliance Manager (30 hours) at \$294 per hour) + (Compliance Clerk (120 hours) at \$59 per hour) + (Director of Compliance (12 hours) at \$426 per hour) + (Compliance Attorney (24 hours) at \$291 per hour)) x (1,000 reporting parties) = \$115,116,000.

⁷ This figure is based on the following: $(((707 \text{ hours}/3 \text{ years}) + (734 \text{ hours}))/ (1 \text{ response per year})) = 969.67 \text{ hours}$.

⁸ Although 17 CFR 242.901(b) provides that if there is no registered security-based swap data repository that would accept information pertaining to a security-based swap, reporting parties should report to the Commission, we expect the reporting burden pursuant to this provision will be minimal as registered security-based swap data repositories should be operational prior to effectiveness of proposed Regulation SBSR. Accordingly, we have assumed that all burden hours associated with this collection will be attributable to a third party disclosure type, rather than a reporting type, of collection.

⁹ Based on this estimate, the total one-time labor cost for all respondents to comply with Rule 901(f) and (g) would be approximately \$342,040. $(((\text{Sr. Programmer (80 hours) at } \$285 \text{ per hour}) + (\text{Sr. Systems Analyst (20 hours) at } \$251 \text{ per hour}) + (\text{Compliance Manager (8 hours) at } \$294 \text{ per hour}) + (\text{Director of Compliance (4 hours) at } \$426 \text{ per hour}) + (\text{Compliance Attorney (8 hours) at } \$291 \text{ per hour})) \times (10 \text{ registered SDRs})) = \$342,040$.

respondent.¹⁰ We estimated two responses per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 96 hours per response.¹¹ This collection is a recordkeeping type of collection.

b. Public Dissemination of Transaction Reports

Proposed Rule 902 would require a registered SDR to publicly disseminate transaction reports for all SBS transactions submitted to that SDR. In addition, a registered SDR would need to disseminate block trade information in a two-step process and would be prohibited from disseminating certain information. The Commission currently estimates that 10 entities will be subject to this burden. The Commission estimates that the initial one-time aggregate burden for the development and implementation of systems necessary to comply with proposed Rule 902 would be 84,000 burden hours, which corresponds to 8,400 burden hours per respondent.¹² Further, the Commission estimates that the public dissemination requirements will impose an aggregate ongoing annualized burden of 50,400 burden hours, which corresponds to 5,040 burden hours per respondent.¹³ We estimated 1,440 responses per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 5.44 hours per response.¹⁴ This collection is a third party disclosure type of collection.

c. Special Closing Hours

¹⁰ Based on this estimate, the total ongoing annual labor cost for all respondents to comply with Rule 901(f) and (g) would be approximately \$436,440. This figure is based on the following: $[(\text{Sr. Programmer (60 hours) at } \$285 \text{ per hour}) + (\text{Sr. Systems Analyst (48 hours) at } \$251 \text{ per hour}) + (\text{Compliance Manager (24 hours) at } \$294 \text{ per hour}) + (\text{Director of Compliance (12 hours) at } \$426 \text{ per hour}) + (\text{Compliance Attorney (8 hours) at } \$291 \text{ per hour})] \times (10 \text{ registered SDRs}) = \$436,440.$

¹¹ This figure is based on the following: $[(\text{120 hours/3 years}) + (152 \text{ hours})] / (2 \text{ responses per year}) = 96 \text{ hours}.$

¹² Based on this estimate, the total one-time labor cost for all respondents to comply with the dissemination requirement of proposed Rule 902 would be \$20,004,000. This figure is based on the following: $[(\text{Attorney (1,400 hours) at } \$316 \text{ per hour}) + (\text{Compliance Manager (1,600 hours) at } \$294 \text{ per hour}) + (\text{Programmer Analyst (4,000 hours) at } \$190 \text{ per hour}) + (\text{Senior Business Analyst (1,400 hours) at } \$234 \text{ per hour})] \times (10 \text{ registered SDRs}) = \$20,004,000.$

¹³ Based on this estimate, the total ongoing annual labor cost for all respondents to comply with the dissemination requirement of proposed Rule 902 would be \$12,002,400. This figure is based on the following: $[(\text{Attorney (840 hours) at } \$316 \text{ per hour}) + (\text{Compliance Manager (960 hours) at } \$294 \text{ per hour}) + (\text{Programmer Analyst (2,400 hours) at } \$190 \text{ per hour}) + (\text{Senior Business Analyst (840 hours) at } \$234 \text{ per hour})] \times (10 \text{ registered SDRs}) = \$12,002,400.$

¹⁴ This figure is based on the following: $[(\text{8,400 hours/3 years}) + (5,040 \text{ hours})] / (1,440 \text{ responses per year}) = 5.44 \text{ hours}.$

Proposed Rule 904 would require registered a SDR to provide reasonable advance notice to participants and to the public of its normal and special closing hours and provide notice to participants that the SDR system is available after an outage. The Commission currently estimates that 10 entities will be subject to this burden. The Commission estimates that the requirements to notify participants and the public of closing hours and system availability would impose an aggregate ongoing annualized burden of 360 burden hours, which corresponds to 36 burden hours per respondent.¹⁵ We estimated 12 responses per respondent per year, resulting in a burden of 3 hours per response. This collection is a third party disclosure type of collection.

d. Error Correction

Proposed Rule 905 would require reporting parties to submit corrected SBS transaction to a registered SDR upon discovery or notification of an error, which would require support and maintenance of error reporting functions. The Commission preliminarily believes that designing and building appropriate reporting system functionality to comply with the error-reporting rule will represent an incremental “add-on” to the cost to build a reporting system. The Commission estimated that the incremental burden would be equal to 5% of the one-time and annual costs associated with designing and building a reporting system pursuant to Rule 901 plus 10% of the corresponding one-time and annual costs associated with developing the overall compliance program required under proposed Rule 901. The Commission currently estimates that 1,000 entities will be subject to this burden. Thus, the Commission estimates that the initial one-time aggregate burden associated with designing and building an error reporting system and compliance program would be 26,600 burden hours, which corresponds to 26.6 burden hours per respondent.¹⁶ Further, the Commission estimates that the aggregate ongoing annualized burden would be 25,800 burden hours, which corresponds to 25.8 burden hours per respondent.¹⁷ We estimated one response per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 34.67 hours per response.¹⁸ This collection is a third party disclosure type of collection.

¹⁵ Based on this estimate, the total ongoing annual labor cost for all respondents to comply with the notification requirement of proposed Rule 904 would be \$41,040. This figure is based on the following: [(Operations Specialist (36 hours) at \$114 per hour) x (10 potential registered SDRs)] = \$41,040.

¹⁶ Based on this estimate, the total one-time labor cost for all reporting parties to comply with the error reporting requirement of proposed Rule 905 would be \$7,491,850. This figure is based on the following: [((((\$46,657 one-time development of reporting system) x (0.05)) + ((\$51,590 one-time compliance program development) x (0.1))) x (1,000 reporting parties)] = \$7,491,850.

¹⁷ Based on this estimate, the annual labor cost for all reporting parties to comply with the error reporting requirement of proposed Rule 905 would be \$3,927,000. This figure is based on the following: [((((\$5,400 annual maintenance of reporting system) x (0.05)) + ((\$36,572 annual support of compliance program) x (0.1))) x (1,000 reporting parties)] = \$3,927,200.

Proposed Rule 905 would require non-reporting party participants to promptly notify the relevant reporting party after discovery of an error. The Commission currently estimates that 4,000 entities will be subject to this burden. The Commission estimates that the requirements to notify reporting parties would impose an aggregate ongoing annualized burden of 2,920,000 burden hours, which corresponds to 730 burden hours per respondent.¹⁹ We estimated 1,460 responses per respondent per year, which results in a burden of 0.5 hours per response. This collection is a third party disclosure type of collection.

Proposed Rule 905(b) would require a registered SDR to develop protocols regarding the reporting and correction of erroneous information. The Commission preliminarily believes, however, that this duty would represent only a minor extension of other duties for which the Commission is estimating burdens, and consequently, would not impose substantial additional burdens on a registered SDR. The Commission currently estimates that 10 entities will be subject to this burden. The Commission preliminarily estimates that to develop and publicly provide the necessary protocols would impose an initial one-time burden of approximately 7,300 burden hours, which corresponds to 730 burden hours per respondent.²⁰ The Commission estimates that to review and update such protocols on an ongoing basis would impose an annual aggregate burden of approximately 14,600 burden hours, which corresponds to 1,460 burden hours per respondent.²¹ We estimated one response per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 1,703.33 hours per

¹⁸ This figure is based on the following: $(((26.6 \text{ hours}/3 \text{ years}) + (25.8 \text{ hours}))/ (1 \text{ response per year})) = 34.67 \text{ hours}$.

¹⁹ Based on this estimate, the annual labor cost for all non-reporting parties to comply with the error reporting requirement of proposed Rule 905 would be \$172,280,000. This figure is based on the following: $[(4 \text{ error notifications per non-reporting-party participant per day}) \times (365 \text{ days/year}) \times (\text{Compliance Clerk } (0.5 \text{ hours/report}) \text{ at } \$59 \text{ per hour}) \times (4,000 \text{ non-reporting-party participants})] = \$172,280,000$.

²⁰ Based on this estimate, the total one-time labor cost for all registered SDRs to comply with the error reporting requirement of proposed Rule 905 would be \$1,867,900. This figure is based on the following: $(((\text{Sr. Programmer } (80 \text{ hours}) \text{ at } \$285 \text{ per hour}) + (\text{Compliance Manager } (160 \text{ hours}) \text{ at } \$294 \text{ per hour}) + (\text{Compliance Attorney } (250 \text{ hours}) \text{ at } \$291 \text{ per hour}) + (\text{Compliance Clerk } (120 \text{ hours}) \text{ at } \$59 \text{ per hour}) + (\text{Sr. Systems Analyst } (80 \text{ hours}) \text{ at } \$251 \text{ per hour}) + (\text{Director of Compliance } (40 \text{ hours}) \text{ at } \$426 \text{ per hour})) \times (10 \text{ potential registered SDRs})) = \$1,867,900$.

²¹ Based on this estimate, the annual labor cost for all registered SDRs to comply with the error reporting requirement of proposed Rule 905 would be \$3,735,800. This figure is based on the following: $(((\text{Sr. Programmer } (160 \text{ hours}) \text{ at } \$285 \text{ per hour}) + (\text{Compliance Manager } (320 \text{ hours}) \text{ at } \$294 \text{ per hour}) + (\text{Compliance Attorney } (500 \text{ hours}) \text{ at } \$291 \text{ per hour}) + (\text{Compliance Clerk } (240 \text{ hours}) \text{ at } \$59 \text{ per hour}) + (\text{Sr. Systems Analyst } (160 \text{ hours}) \text{ at } \$251 \text{ per hour}) + (\text{Director of Compliance } (80 \text{ hours}) \text{ at } \$426 \text{ per hour})) \times (10 \text{ potential registered SDRs})) = \$3,735,800$.

response.²² This collection is a recordkeeping type of collection.

g. Other Duties of Participants

Proposed Rule 906(a) would require a registered SDR, once a day, to send a report to each participant identifying, for each SBS to which that participant is a counterparty, the SBS(s) for which the registered SDR lacks participant ID and (if applicable) broker ID, desk ID, and trader ID. The Commission currently estimates that 10 entities will be subject to this burden. The Commission preliminarily estimates that there would be a one-time, initial burden of 1,120 burden hours for SDRs to create a report template and develop the necessary systems and processes to produce a daily report required by proposed Rule 906(a), which corresponds to 112 burden hours per respondent.²³ Further, the Commission preliminarily estimates that there would be an ongoing annualized burden of 3,080 burden hours for SDRs to generate and issue the daily reports, and to enter into their systems the ID information supplied by participants in response to the daily reports, which corresponds to 308 burden hours per respondent.²⁴ We estimated 2,555 responses per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 0.14 hours per response.²⁵ This collection is a third party disclosure type of collection.

Proposed Rule 906(a) would require a participant that receives a daily report from a registered SDR to provide the missing identifier codes to the registered SDR within 24 hours. The Commission currently estimates that 5,000 entities will be subject to this burden. The Commission further preliminarily estimates that the ongoing annualized burden under proposed Rule 906(a) to participants would be 1,277,500 burden hours, which corresponds to 255.5 burden hours per participant.²⁶ We estimated 2,555 responses per respondent per year, resulting in a

²² This figure is based on the following: $(((730 \text{ hours}/3 \text{ years}) + (1,460 \text{ hours}))/ (1 \text{ response per year})) = 96 \text{ hours}$.

²³ Based on this estimate, the total one-time labor cost for all registered SDRs to comply with the reporting requirements of proposed Rule 906 would be \$308,320. This figure is based on the following: $(((\text{Senior Systems Analyst (40 hours) at } \$251 \text{ per hour}) + (\text{Sr. Programmer (40 hours) at } \$285 \text{ per hour}) + (\text{Compliance Manager (16 hours) at } \$294 \text{ per hour}) + (\text{Director of Compliance (8 hours) at } \$426 \text{ per hour}) + (\text{Compliance Attorney (8 hours) at } \$291)) \times (10 \text{ potential registered SDRs})) = \$308,320$.

²⁴ Based on this estimate, the annual labor cost for all registered SDRs to comply with the reporting requirements of proposed Rule 906 would be \$292,440. This figure is based on the following: $(((\text{Senior Systems Analyst (24 hours) at } \$251 \text{ per hour}) + (\text{Sr. Programmer (24 hours) at } \$285 \text{ per hour}) + (\text{Compliance Clerk (260 hours) at } \$59 \text{ per hour})) \times (10 \text{ potential registered SDRs})) = \$292,440$.

²⁵ This figure is based on the following: $(((112 \text{ hours}/3 \text{ years}) + (308 \text{ hours}))/ (2,555 \text{ responses per year})) = 96 \text{ hours}$.

²⁶ Based on this estimate, the annual labor cost for all participants to comply with the reporting requirements of proposed Rule 906(a) would be \$75,372,500. This figure is

burden of 0.1 hours per response. This collection is a third party disclosure type of collection.

Proposed Rule 906(b) would require every participant to provide the registered SDR an initial parent/affiliate report and subsequent reports, as needed. The Commission preliminarily estimates that each participant would submit two reports each year per SDR connection. In addition, the Commission preliminarily estimates that there would be 5,000 participants subject to this reporting requirement and that each one may connect to two registered SDRs. Accordingly, the Commission preliminarily estimates that the ongoing annualized burden associated with proposed Rule 906(b) would be 10,000 burden hours, which corresponds to 2 burden hours per participant.²⁷ We estimated 2 responses per respondent per year, resulting in a burden of 1 hour per response. This collection is a third party disclosure type of collection.

Finally, proposed Rule 906(c) would require each participant that is a SBS dealer or major SBS participant to establish, maintain, and enforce written policies and procedures that are reasonably designed to ensure compliance with any SBS transaction reporting obligations in a manner consistent with proposed Regulation SBSR and the registered SDR's applicable policies and procedures. The Commission currently estimates that 1,000 entities will be subject to this burden. The Commission preliminary estimates that the one-time, initial burden for covered participants to adopt written policies and procedures as required under proposed Rule 906(c) would be approximately 216,000 burden hours, which corresponds to 216 burden hours per participant.²⁸ Further, the Commission preliminarily estimates the aggregate ongoing annual burden of maintaining such policies and procedures, including a full review at least annually, as required by proposed Rule 906(c), would be approximately 120,000 burden hours, which corresponds to 120 burden hours for each covered participant.²⁹ We estimated 1 response per

based on the following: [(7 missing information reports per participant per day) x (365 days/year) x (Compliance Clerk (0.1 hours) at \$59 per hour) x (5,000 participants)] = \$75,372,500.

²⁷ Based on this estimate, the annual labor cost for all participants to comply with the reporting requirements of proposed Rule 906(b) would be \$590,000. This figure is based on the following: [((Compliance Clerk (0.5 hours) at \$59 per hour) x (1 report)) x (2 reports/year/SDR connection) x (2 SDR connections/participant) x (5,000 participants)] = \$590,000.

²⁸ Based on this estimate, the total one-time labor cost for all covered participants to comply with the policies and procedures requirements of proposed Rule 906(c) would be \$52,440,000. This figure is based on the following: [((Sr. Programmer (40 hours) at \$285 per hour) + (Compliance Manager (40 hours) at \$294 per hour) + (Compliance Attorney (40 hours) at \$291 per hour) + (Compliance Clerk (40 hours) at \$59 per hour) + (Sr. Systems Analyst (32 hours) at \$251 per hour) + (Director of Compliance (24 hours) at \$426 per hour)) x (1,000 covered participants)] = \$52,440,000.

²⁹ Based on this estimate, the annual labor cost for all covered participants to comply with the policies and procedures requirements of proposed Rule 906(c) would be \$29,736,000. This figure is based on the following: [((Sr. Programmer (8 hours) at \$285 per hour) + (Compliance Manager (24 hours) at \$294 per hour) + (Compliance Attorney (24 hours) at

respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 192 hours per response.³⁰ This collection is a recordkeeping type of collection.

h. Policies and Procedures of Registered SDRs

Proposed Rule 907 would require a registered SDR to establish and maintain compliance with written policies and procedures; to make its policies and procedures publicly available on its website; review, and update as necessary, its policies and procedures at least annually; and have the capacity to provide to the Commission, upon request, information or reports related to the timeliness, accuracy, and completeness of data reported to it pursuant to proposed Regulation SBSR and the registered SDR's policies and procedures thereunder. The Commission preliminarily estimates that ten registered SDRs would be subject to proposed Rule 907. The Commission preliminary estimates that the one-time, initial burden for registered SDRs to comply with the requirements of proposed Rule 907 would be approximately 150,000 burden hours, which corresponds to 15,000 burden hours per participant.³¹ Further, the Commission preliminarily estimates that the annual burden of maintaining and reviewing policies and procedures as well as compiling statistics on non-compliance would be approximately 300,000 burden hours, which corresponds to 30,000 burden hours per participant.³² We estimated one response per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 35,000 hours per response.³³ This collection is a

\$291 per hour) + (Compliance Clerk (24 hours) at \$59 per hour) + (Sr. Systems Analyst (16 hours) at \$251 per hour) + (Director of Compliance (24 hours) at \$426 per hour)) x (1,000 covered participants)] = \$29,736,000.

³⁰ This figure is based on the following: $(((216 \text{ hours}/3 \text{ years}) + (120 \text{ hours}))/ (1 \text{ response per year})) = 192 \text{ hours}$.

³¹ Based on this estimate, the total one-time labor cost for all registered SDRs to comply with proposed Rule 907 would be \$38,307,220. This figure is based on the following: $(((\text{Sr. Programmer (1,667 hours) at } \$285 \text{ per hour}) + (\text{Compliance Manager (3,333 hours) at } \$294 \text{ per hour}) + (\text{Compliance Attorney (5,000 hours) at } \$291 \text{ per hour}) + (\text{Compliance Clerk (2500 hours) at } \$59 \text{ per hour}) + (\text{Sr. Systems Analyst (1,667 hours) at } \$251 \text{ per hour}) + (\text{Director of Compliance (833 hours) at } \$426 \text{ per hour})) \times (10 \text{ potential registered SDRs})) = \$38,307,220$.

³² Based on this estimate, the annual labor cost for all registered SDRs to comply with proposed Rule 907 would be \$76,617,280. This figure is based on the following: $(((\text{Sr. Programmer (3,333 hours) at } \$285 \text{ per hour}) + (\text{Compliance Manager (6,667 hours) at } \$294 \text{ per hour}) + (\text{Compliance Attorney (10,000 hours) at } \$291 \text{ per hour}) + (\text{Compliance Clerk (5,000 hours) at } \$59 \text{ per hour}) + (\text{Sr. Systems Analyst (3,333 hours) at } \$251 \text{ per hour}) + (\text{Director of Compliance (1,667 hours) at } \$426 \text{ per hour})) \times (10 \text{ potential registered SDRs})) = \$76,617,280$.

³³ This figure is based on the following: $(((15,000 \text{ hours}/3 \text{ years}) + (30,000 \text{ hours}))/ (1 \text{ response per year})) = 35,000 \text{ hours}$.

recordkeeping type of collection.

i. Registration of SDRs as Securities Information Processors

Proposed Rule 909 would require a registered SDR to register with the Commission as a SIP. To comply with this requirement, a registered SDR would need to submit a Form SIP. As a registered SIP, a registered SDR would be required to keep its Form SIP current, and submit amendments as required by Rule 609(b) of Regulation NMS under the Exchange Act. The Commission preliminarily estimates that ten registered SDRs would be subject to proposed Rule 909. As described in the SDR Registration Proposing Release,³⁴ an entity wishing to register with the Commission as a registered SDR would have to submit proposed Form SDR, which is modeled after existing Form SIP. The Commission has estimated the burden for completing Form SIP to be 400 hours per participant. Any entity that is required to complete proposed Form SDR also would have to complete Form SIP, which substantially overlaps with proposed Form SDR. Therefore, the Commission preliminarily estimates that, having completed a proposed Form SDR, an entity would need only one-quarter of the time to then complete Form SIP, or 100 hours (specifically, 37.5 hours of legal compliance work and 62.5 hours of clerical compliance work). Accordingly, the Commission is preliminarily estimating that the one-time initial registration burden for all registered SDR/SIPs would be 1,000 hours, which is 100 hours per participant.³⁵ With regard to ongoing burdens, the Commission preliminarily estimates that the aggregate annualized burden for providing amendments to Form SIP would be one-tenth of the burden to complete the initial form, or 100 burden hours, which corresponds to 10 burden hours³⁶ for each registered SDR.³⁷ We estimated 2 responses per respondent per year, which, including the one-time burden equally allocated over three years, results in a burden of 21.67 hours per response.³⁸ This collection is a reporting type of collection.

13. Estimate of Total Annual Cost Burden

³⁴ See Securities Exchange Act Release No. 63347 (November 19, 2010) (“SDR Registration Proposing Release”), at note 208.

³⁵ Based on this estimate, the total one-time labor cost for all registered SDRs to complete Form SIP would be \$146,000. This figure is based on the following: [((Compliance Attorney (37.5 hours) at \$291 per hour) + (Compliance Clerk (62.5 hours) at \$59 per hour) x (10 potential registered SDRs)] = \$146,000.

³⁶ The Regulation SBSR Proposing Release included a typographical error in Part XIII.J.4; it incorrectly stated the burden would be 400 hours and 40 hours per participant.

³⁷ Based on this estimate, the total annual labor cost for all registered SDRs to complete Form SIP would be \$14,600. This figure is based on the following: [(\$14,600) x (0.1) x (10 potential registered SDRs)] = \$14,600.

³⁸ This figure is based on the following: [((100 hours/3 years) + (10 hours))/(2 responses per year)] = 35,000 hours.

The total cost for all of proposed Regulation SBSR for all respondents is \$20,000,000 initially, with a total annual cost thereafter of \$213,000,000. These costs are broken down by collection of information below.

a. Reporting Obligations

The Commission preliminarily estimates that reporting parties may incur annual costs to capture and maintain relevant SBS transaction information to comply with the reporting requirements of proposed Rule 901. The Commission currently estimates that 1,000 entities will be subject to this cost burden. The Commission preliminarily estimates that the aggregate annual dollar cost burden would be \$1,000,000, which would correspond to \$1,000 for each reporting party.³⁹ Further, reporting parties would need to establish and maintain connectivity to a registered SDR to facilitate the reporting required by proposed Rule 901. The Commission preliminarily estimates that the annual cost to establish connectivity to a security-based swap data repository would be a dollar cost burden of approximately \$200,000,000, which corresponds to a dollar cost burden of \$200,000 for each reporting party.⁴⁰ In total, the dollar cost burden for reporting parties to comply with the reporting obligations of proposed Rule 901 would be \$201,000,000 annually, or \$201,000 per participant per year. We estimated 1 response per respondent per year, resulting in a dollar cost burden of \$201,000 per response.

b. Public Dissemination of Transaction Reports

The Commission preliminarily believes that a registered SDR would be able to integrate the capability to publicly disseminate real-time SBS transaction reports required under proposed Rule 902 as part of its overall system development for transaction data. Based on discussions with industry participants, the Commission preliminarily estimates that to implement and comply with the real-time public dissemination requirement of proposed Rule 902, each registered SDR would incur a dollar cost burden equal to an additional 20% of the first-year and ongoing burdens discussed in the SDR Registration Proposing Release.⁴¹ In the SDR Registration Proposing Release, the Commission estimated that each registered SDRs would incur \$10,000,000 in initial one-time information technology costs. Therefore, the Commission

³⁹ This estimate is based on discussions of Commission staff with various market participants and is calculated as follows: [(\$250/gigabyte of storage capacity) x (4 gigabytes of storage) x (1,000 reporting parties)] = \$1,000,000.

⁴⁰ This estimate is based on discussions of Commission staff with various market participants, as well as the Commission's experience regarding connectivity between securities market participants for data reporting purposes. The Commission derived the total estimated dollar cost burden from the following: [(\$100,000 hardware- and software-related expenses, including necessary back-up and redundancy, per SDR connection) x (2 SDR connections per reporting party) x (1,000 reporting parties)] = \$200,000,000.

⁴¹ See Section V.D.2 (SDR Duties, Data Collection and Maintenance, Automated Systems, and Direct Electronic Access) of the SDR Registration Proposing Release.

preliminarily estimates that total initial cost to comply with proposed Rule 902 would be \$20,000,000, or \$2,000,000 per registered SDR.⁴² In the SDR Registration Proposing Release, the Commission estimated that each registered SDRs would incur \$6,000,000 in ongoing information technology costs. Therefore, the Commission preliminarily estimates that total annual cost to comply with proposed Rule 902 would be \$12,000,000, or \$1,200,000 per registered SDR per year.⁴³ We estimated 1,440 responses per respondent per year, which, including the one-time dollar cost burden equally allocated over three years, results in a dollar cost burden of \$1,296.30 per response.⁴⁴

14. Estimate of Cost to the Federal Government

The Commission may incur costs related to the request, receipt, analysis and storage of SBS transaction data, but these costs should not be significant.

15. Explanation of Changes in Burden

Not applicable. Regulation SBSR is a proposed new rule.

16. Information Collection Planned for Statistical Purposes

Not applicable.

17. Approval to not Display Expiration Date

Not applicable.

18. Exceptions to Certification Statement

Not applicable.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.

⁴² The Commission derived the total estimated initial dollar cost burden from the following: [(\$10,000,000 in information technology costs) x (0.2) x (10 potential registered SDRs)] = \$20,000,000.

⁴³ The Commission derived the total estimated initial dollar cost burden from the following: [(\$6,000,000 in information technology costs) x (0.2) x (10 potential registered SDRs)] = \$12,000,000.

⁴⁴ This figure is based on the following: [(((\$2,000,000/3 years) + (\$1,200,000)) / (1,440 responses per year))] = \$1,296.30.