

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for Rule 18a-6

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et seq.

A. JUSTIFICATION

1. Necessity of Information Collection

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) into law.¹ Section 764 of the Dodd-Frank Act added section 15F to the Securities Exchange Act of 1934 (the “Exchange Act”),² which provides that the Commission shall adopt rules governing reporting and recordkeeping for security-based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”).³

Accordingly, on April 17, 2014, the Commission proposed amendments to its recordkeeping and reporting rules for broker-dealers as well as new recordkeeping and reporting rules for SBSDs and MSBSPs (the “SBS Recordkeeping Release”).⁴ The SBS Recordkeeping Release proposes new Exchange Act Rule 18a-6 (in conjunction with the proposed new Exchange Act Rule 18a-5) to establish recordkeeping requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.⁵ Proposed Rule 18a-6 is modeled on Exchange Act Rule 17a-4, which applies to broker-dealers, but proposed Rule 18a-6 does not include a parallel requirement for every requirement in Rule 17a-4 because some of the requirements in Rule 17a-4 relate to activities that are not expected or permitted of stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.

Proposed Rule 18a-6 would establish a number of new collections of information, as summarized in the table below:

	Non-model stand-alone SBSDs	ANC stand-alone SBSDs	Bank SBSDs	Stand-alone MSBSPs
Records To Be Preserved for a Period of Not Less Than 6 Years				
Trade blotters	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(1)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)
General ledger	Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)		Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)
Ledgers for customer	Rule 18a-6(a)(1) citing	Rule 18a-6(a)(1) citing	Rule 18a-6(a)(2) citing	Rule 18a-6(a)(1) citing

¹ See *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010*, Public Law 111-203, 124 Stat. 1376 (2010).

² See Public Law 111-203, § 764; 15 U.S.C. 78o-10.

³ See 15 U.S.C. 78o-10(f)(2).

⁴ See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rules*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

⁵ See *id.*

	Non-model stand-alone SBSBs	ANC stand-alone SBSBs	Bank SBSBs	Stand-alone MSBSPs
and non-customer accounts	Rule 18a-5(a)(3)	Rule 18a-5(a)(3)	Rule 18a-5(b)(2)	Rule 18a-5(a)(3)
Stock record	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(3)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)
Records To Be Preserved for a Period of Not Less Than 3 Years				
Memoranda of brokerage orders			Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(4)	
Memoranda of proprietary orders	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(5)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(5)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(5)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(5)
Confirmations	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(6)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(6)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(6)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(6)
Account holder information	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(7)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(7)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(7)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(7)
Options positions	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(8)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(8)		Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(8)
Trial balances and computation of net capital	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(9)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(9)		Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(9)
Liquidity stress test		Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(11)		
Account equity and margin calculations under proposed Rule 18a-3	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(12)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(12)		Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(12)
Possession or control requirements under proposed Rule 18a-4	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(13)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(13)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(9)	
Customer reserve requirements under proposed Rule 18a-4	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(14)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(14)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(10)	
Unverified transactions	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(15)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(15)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(11)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(15)
Political contributions	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(16)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(16)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(12)	
Compliance with external business conduct requirements	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(17)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(17)	Rule 18a-6(b)(2)(i) citing Rule 18a-6(b)(13)	Rule 18a-6(b)(1)(i) citing Rule 18a-6(a)(17)
Bank records	Rule 18a-6(b)(1)(ii)	Rule 18a-6(b)(1)(ii)		Rule 18a-6(b)(1)(ii)
Bills	Rule 18a-6(b)(1)(iii)	Rule 18a-6(b)(1)(iii)		Rule 18a-6(b)(1)(iii)
Communications	Rule 18a-6(b)(1)(iv)	Rule 18a-6(b)(1)(iv)	Rule 18a-6(b)(2)(ii)	Rule 18a-6(b)(1)(iv)
Trial balances	Rule 18a-6(b)(1)(v)	Rule 18a-6(b)(1)(v)		Rule 18a-6(b)(1)(v)
Account documents	Rule 18a-6(b)(1)(vi)	Rule 18a-6(b)(1)(vi)	Rule 18a-6(b)(2)(iii)	Rule 18a-6(b)(1)(vi)
Written agreements	Rule 18a-6(b)(1)(vii)	Rule 18a-6(b)(1)(vii)	Rule 18a-6(b)(2)(iv)	Rule 18a-6(b)(1)(vii)
Information supporting financial reports	Rule 18a-6(b)(1)(viii)	Rule 18a-6(b)(1)(viii)	Rule 18a-6(b)(2)(v)	Rule 18a-6(b)(1)(viii)
Rule 15c3-4 risk management records (OTC derivatives dealers only)	Rule 18a-6(b)(1)(ix)	Rule 18a-6(b)(1)(ix)		Rule 18a-6(b)(1)(ix)
Internal credit ratings		Rule 18a-6(b)(1)(x)		
Regulation SBSR information	Rule 18a-6(b)(1)(xi)	Rule 18a-6(b)(1)(xi)	Rule 18a-6(b)(2)(vi)	Rule 18a-6(b)(1)(xi)
Records relating to business conduct	Rule 18a-6(b)(1)(xii)	Rule 18a-6(b)(1)(xii)	Rule 18a-6(b)(2)(vii)	Rule 18a-6(b)(1)(xii)

	Non-model stand-alone SBSDs	ANC stand-alone SBSDs	Bank SBSDs	Stand-alone MSBSPs
standards				
Special entity documents	Rule 18a-6(b)(1)(xiii)	Rule 18a-6(b)(1)(xiii)	Rule 18a-6(b)(2)(viii)	Rule 18a-6(b)(1)(xiii)
Associated person's employment application	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)
Regulatory authority reports	Rule 18a-6(d)(2)(i)	Rule 18a-6(d)(2)(i)	Rule 18a-6(d)(2)(ii)	Rule 18a-6(d)(2)(i)
Compliance, supervisory, and procedures manuals	Rule 18a-6(d)(3)(i)	Rule 18a-6(d)(3)(i)	Rule 18a-6(d)(3)(ii)	Rule 18a-6(d)(3)(i)
Life of the enterprise and of any successor enterprise				
Corporate documents	Rule 18a-6(c)	Rule 18a-6(c)		Rule 18a-6(c)

2. Purpose and Use of the Information Collection

The purpose of requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to maintain the records specified in Rule 18a-6 is to help ensure that examiners and other representatives of the Commission and other applicable regulatory authorities have access to the information and documents necessary to determine whether these entities are in compliance with the Commission's anti-fraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. Without Rule 18a-6, it would be extremely difficult, if not impossible, for the Commission to determine whether stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs that chose not to preserve records were in compliance with these rules. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

3. Consideration Given to Improved Information Technology

Rule 18a-6 specifically allows stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to use electronic storage media to comply with the recordkeeping requirements under the Exchange Act. If such records are stored electronically, they must be preserved exclusively in a non-rewriteable, non-erasable format.⁶ Because it sets minimum standards for the electronic storage media employed, Rule 18a-6 does not limit stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to using forms of electronic storage which may become obsolete as new technology is developed. The Commission believes that improvements in telecommunications and data processing technology may reduce any burdens that result from Rule 18a-6.

4. Duplication

Not applicable. There is no duplication.

⁶ See paragraph (e)(2)(ii)(A) of proposed Rule 18a-6.

5. Effects on Small Entities

Based on feedback from industry participants about the security-based swap market, entities that would register as SBSDs or MSBSPs would likely exceed the thresholds defining “small entities”. Thus, it is unlikely that the requirements under proposed new Rule 18a-6 would affect small entities.

6. Consequences of Not Conducting Collection

Rule 18a-6 is a record preservation rule. Without Rule 18a-6, it would be extremely difficult, if not impossible, for the Commission to determine whether a stand-alone SBSd, stand-alone MSBSP, bank SBSd, or bank MSBSP that chose not to preserve records was in compliance with the Commission’s antifraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

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

Certain provisions of Rule 18a-6 require respondents to retain records for more than three years. Specifically, paragraph (a) of Rule 18a-6 requires stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to preserve for a period of not less than six years:

1. Purchase and sales blotters, securities receipts, and disbursement blotters;
2. Ledgers reflecting assets and liabilities, income and expense, and capital accounts;
3. Ledgers for customer and non-customer accounts; and
4. Stock record.

Certain SBSDs and MSBSPs are required to maintain and preserve in an easily accessible place:

1. Employment records of associated persons until at least three years after the employment or other connection has terminated;
2. For stand-alone SBSDs and stand-alone MSBSPs, each report which a regulatory authority has requested or required the SBSd or MSBSP to make and furnish to it pursuant to an order or settlement, and each regulatory authority examination report until three years after the date of the report; and
3. For stand-alone SBSDs and stand-alone MSBSPs, each compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the SBSd or MSBSP with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person associated with the SBSd or MSBSP until three years after the termination of the use of the manual.

In addition, paragraph (c) of Rule 18a-6 requires that stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs maintain specified organizational documents for the life of the enterprise and any successor enterprise.

These extended retention periods are necessary in order to provide regulators with sufficient time to conduct comprehensive inspections and investigations. Due to budget constraints, regulators are expected to examine SBSs and MSBSPs and office locations only periodically. Further, certain documents required to be retained under Rule 18a-6 do not become obsolete (*e.g.*, organizational documents).

8. Consultations Outside the Agency

The Commission has issued a release soliciting comment on the new “collection of information” requirements and associated paperwork burdens. A copy of the SBS Recordkeeping 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/rules/proposed.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).

9. Payment or Gift

No payment or gift is provided to respondents.

10. Confidentiality

Subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552, and the Commission’s rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission generally does not publish or make available information contained in reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.

11. Sensitive Questions

As discussed above in Item 10, the collection of information will not include publicly available information. Furthermore, we do not believe that the collection of information will contain Personally Identifiable Information (“PII”).⁷

12. Burden of Information Collection

Proposed Rule 18a-6 described in the SBS Recordkeeping Release would establish recordkeeping requirements applicable to stand-alone SBSs, stand-alone MSBSPs, bank SBSs,

⁷ The term “Personally Identifiable Information” refers to information which can be used to distinguish or trace an individual’s identity, such as their name, social security number, biometric records, etc. alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother’s maiden name, etc.

and bank MSBSPs.⁸ The proposed rule is expected to impose a one-time initial burden and an additional ongoing burden on the industry, although actual recordkeeping requirements are expected to vary depending on the size and complexity of the firm.

Stand-Alone SBSDs and Stand-Alone MSBSPs: Proposed Rule 18a–6 would require 27 types of records to be preserved by stand-alone SBSDs and stand-alone MSBSPs.⁹ Proposed Rule 18a–6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements would be to provide adequate physical space and computer hardware and software for storage, preserve these records for the requisite time period, and produce them when requested.¹⁰ The Commission estimates that the proposed record preservation requirements applicable to stand-alone SBSDs and stand-alone MSBSPs would impose an initial burden of 364 hours and an ongoing annual burden of 280 hours per firm (including the first year). The Commission estimates that there are 13 respondents (nine stand-alone SBSDs and four stand-alone MSBSPs), resulting in an estimated industry-wide initial burden of 4,732 hours,¹¹ and an industry-wide ongoing annual burden of 3,640 hours (including the first year).¹² Over a three year period, the total estimated industry burden would be 15,652 hours,¹³ or 5,217 hours when annualized.¹⁴

⁸ See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rules*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

⁹ See proposed Rule 18a–6 (paragraph (a)(1), cross-referencing paragraph (a)(1) of proposed Rule 18a–5 (trade blotters); paragraph (a)(1), cross-referencing paragraph (a)(2) of proposed Rule 18a–5 (general ledgers); paragraph (a)(1), cross-referencing paragraph (a)(3) of proposed Rule 18a–5 (ledgers of customer and non-customer accounts); paragraph (a)(1), cross-referencing paragraph (a)(4) of proposed Rule 18a–5 (stock record); paragraph (a)(1), cross-referencing paragraph (a)(5) of proposed Rule 18a–5 (memoranda of proprietary orders); paragraph (a)(1), cross-referencing paragraph (a)(6) of proposed Rule 18a–5 (confirmations); paragraph (a)(1), cross-referencing paragraph (a)(7) of proposed Rule 18a–5 (account holder information); paragraph (a)(1), cross-referencing paragraph (a)(8) of proposed Rule 18a–5 (options positions); paragraph (a)(1), cross-referencing paragraph (a)(9) of proposed Rule 18a–5 (trial balances and computation of net capital); paragraph (a)(1), cross-referencing paragraph (a)(12) of proposed Rule 18a–5 (proposed Rule 18a–3 calculations); paragraph (a)(1), cross-referencing paragraph (a)(15) of proposed Rule 18a–5 (unverified transactions); paragraph (a)(1), cross-referencing paragraph (a)(17) of proposed Rule 18a–5 (compliance with external business conduct standards); paragraph (b)(1)(ii) (bank records); paragraph (b)(1)(iii) (bills); paragraph (b)(1)(iv) (communications); paragraph (b)(1)(v) (trial balances); paragraph (b)(1)(vi) (account documents); paragraph (b)(1)(vii) (written agreements); paragraph (b)(1)(viii) (information supporting financial reports); paragraph (b)(1)(ix) (Rule 15c3–4 risk management records); paragraph (b)(1)(xi) (Regulation SBSR information); paragraph (b)(1)(xii) (records relating to business conduct standards); paragraph (b)(1)(xiii) (special entity documents); paragraph (c) (corporate documents); paragraph (d)(1) (associated person’s employment application); paragraph (d)(2)(i) (regulatory authority reports); and paragraph (d)(3)(i) (compliance, supervisory, and procedures manuals)).

¹⁰ Entities that would register as stand-alone SBSDs and stand-alone MSBSPs likely make and keep some records today as a matter of routine business practice, but which records such entities make is not available to the Commission. Therefore, the PRA burden estimate for these entities is based on the assumption that they currently keep no records.

¹¹ 364 hours x 13 stand-alone SBSDs and stand-alone MSBSPs = 4,732 hours.

¹² 280 hours x 13 stand-alone SBSDs and stand-alone MSBSPs = 3,640 hours.

¹³ (4,732 hours + 3,640 hours) + 3,460 hours + 3,460 hours = 15, 652 hours.

¹⁴ 15,652 hours / 3 years = 5,217.33 hours per year.

Stand-Alone SBSDs: Proposed Rule 18a–6 would require three types of records to be preserved by stand-alone SBSDs.¹⁵ Because the burden to create these records is accounted for in the PRA estimate for proposed Rule 18a–5,¹⁶ the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that the relevant portions of paragraph (b)(1)(i) of proposed Rule 18a–6 would impose an initial burden of 44 hours per firm, and an ongoing annual burden of 30 hours per firm (including the first year). The Commission estimates that there are nine stand-alone SBSDs, resulting in an industry-wide initial burden of 396 hours¹⁷ and an industry-wide ongoing annual burden of 270 hours (including the first year).¹⁸ Over a three year period, the total estimated industry burden would be 1,206 hours,¹⁹ or 402 hours when annualized.²⁰

ANC Stand-Alone SBSDs: Proposed Rule 18a–6 would require two types of records to be preserved by ANC stand-alone SBSDs.²¹ Because the burden of actually performing the underlying task and creating the written record is already accounted for in the PRA estimates for proposed Rules 18a–1²² and 18a–5,²³ the burden is the requirement to preserve these records for at least three years. The Commission estimates that paragraph (b)(1)(x) and paragraph (b)(1)(i)'s cross-reference to paragraph (a)(11) of proposed Rule 18a–5 would impose an initial burden of 31 hours and an ongoing annual burden of 20 hours per ANC stand-alone SBSD (including the first year). The Commission estimates that there are six ANC stand-alone SBSDs, resulting in an industry-wide initial burden of 186 hours²⁴ and an industry-wide ongoing annual burden of 120

¹⁵ See paragraph (b)(1)(i) of proposed Rule 18a–6 (cross-referencing paragraph (a)(13) of proposed Rule 18a-5 (compliance with proposed Rule 18a–4 possession or control requirements); paragraph (a)(14) of proposed Rule 18a–5 (proposed Rule 18a–4 reserve account computations); and paragraph (a)(16) of proposed Rule 18a–5 (political contributions)).

¹⁶ See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rules*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

¹⁷ 44 hours x 9 stand-alone SBSDs = 396 hours.

¹⁸ 30 hours x 9 stand-alone SBSDs = 270 hours.

¹⁹ (396 hours + 270 hours) + 270 hours + 270 hours = 1,206 hours.

²⁰ 1,206 hours / 3 years = 402 hours per year.

²¹ See proposed Rule 18a–6 (paragraph (b)(1)(i), cross-referencing paragraph (a)(11) of proposed Rule 18a–5 (liquidity stress test); and paragraph (b)(1)(x) (credit risk determinations)).

²² See *Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers*, Exchange Act Release No. 68071 (Oct. 18, 2012), 77 FR 70294 (Nov. 23, 2012).

²³ See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rules*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

²⁴ 31 hours x 6 ANC stand-alone SBSDs = 186 hours.

hours (including the first year).²⁵ Over a three year period, the total estimated industry burden would be 546 hours,²⁶ or 182 hours when annualized.²⁷

Bank SBSDs and Bank MSBSPs: Proposed Rule 18a-6 would require 18 types of records to be preserved by bank SBSDs and bank MSBSPs, all of which are limited to the firm's business as an SBSD or MSBSP.²⁸ Proposed Rule 18a-6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. Therefore, after consideration of the similar burdens imposed by Rule 17a-4, as proposed to be amended, the Commission estimates that proposed Rule 18a-6 would impose on bank SBSDs and bank MSBSPs an initial burden of 247 hours per firm and an ongoing burden of 190 hours per firm (including the first year). The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an estimated industry-wide initial burden of 6,175 hours²⁹ and an industry-wide ongoing annual burden of 4,750 hours (including the first year).³⁰ Over a three year period, the total estimated industry burden would be 20,425 hours,³¹ or 6,808 hours when annualized.³²

Bank SBSDs: Proposed Rule 18a-6 would require four types of records to be preserved by bank SBSDs, all of which are limited to the firm's business as an SBSD.³³ Because the

²⁵ 20 hours x 6 ANC stand-alone SBSDs = 120 hours.

²⁶ (186 hours + 120 hours) + 120 hours + 120 hours = 546 hours.

²⁷ 546 hours / 3 years = 182 hours per year.

²⁸ See proposed Rule 18a-6 (paragraph (a)(2), cross-referencing paragraph (b)(1) of proposed Rule 18a-5 (trade blotters); paragraph (a)(2), cross-referencing paragraph (b)(2) of proposed Rule 18a-5 (ledgers of security-based swap customers and non-customers); paragraph (a)(2), cross-referencing paragraph (b)(3) of proposed Rule 18a-5 (stock records); paragraph (b)(2)(i), cross-referencing paragraph (b)(4) of proposed Rule 18a-5 (memoranda of brokerage orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(5) of proposed Rule 18a-5 (memoranda of proprietary orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(6) of proposed Rule 18a-5 (confirmations); paragraph (b)(2)(i), cross-referencing paragraph (b)(7) of proposed Rule 18a-5 (accountholder information); paragraph (b)(2)(i), cross-referencing paragraph (b)(11) of proposed Rule 18a-5 (unverified transactions); paragraph (b)(2)(i), cross-referencing paragraph (b)(13) of proposed Rule 18a-5 (compliance with external business conduct requirements); paragraph (b)(2)(ii) (communications); paragraph (b)(2)(iii) (account documents); paragraph (b)(2)(iv) (written agreements); paragraph (b)(2)(vi) (Regulation SBSR information); paragraph (b)(2)(vii) (records relating to business conduct standards); paragraph (b)(2)(viii) (special entity documents); paragraph (d)(1) (associated person's employment application); paragraph (d)(2)(ii) (regulatory authority reports); paragraph (d)(3)(ii) (compliance, supervisory, and procedures manuals)).

²⁹ 247 hours x 25 bank SBSDs = 6,175 hours.

³⁰ 190 hours x 25 bank SBSDs = 4,750 hours.

³¹ (6,175 hours + 4,750 hours) + 4,750 hours + 4,750 hours = 20,425 hours.

³² 20,425 hours / 3 years = 6,808.33 hours per year.

³³ See proposed Rule 18a-6 (paragraph (b)(2)(i), cross-referencing paragraph (b)(9) (compliance with proposed Rule 18a-4 possession or control requirements) of proposed Rule 18a-5; paragraph (b)(2)(i), cross-referencing paragraph (b)(10) (proposed Rule 18a-4 reserve account computations) of proposed Rule

burden to perform the underlying task or create these records is accounted for in the PRA estimates for proposed Rule 18a-4³⁴ and proposed Rule 18a-5,³⁵ the burdens imposed by these new requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that paragraphs (b)(2)(i) and (b)(2)(v) of proposed Rule 18a-6 would impose an initial burden of 57 hours per firm and an ongoing annual burden of 40 hours per firm. The Commission estimates that there are 25 bank SBSBs, resulting in an industry-wide initial burden of 1,425 hours³⁶ and an industry-wide ongoing annual burden of 1,000 hours.³⁷ Over a three year period, the total estimated industry burden would be 4,425 hours,³⁸ or 1,475 hours when annualized.³⁹

Third-Party Custodians: Paragraph (f) of proposed Rule 18a-6 would require third-party custodians for non-broker-dealer SBSBs and non-broker-dealer MSBSPs to file with the Commission a written undertaking and surrender the SBSB or MSBSP's records upon the Commission's request.⁴⁰ The obligation to provide documents upon the Commission's request does not impose a new burden, since this requirement merely changes the respondent's identity rather than adding to the quantity of burdens. Thus, the burden is the requirement is to prepare and file a written undertaking. The Commission estimates that 50% of the 38 non-broker-dealer SBSBs and non-broker-dealer MSBSPs would retain a third-party custodian, resulting in 19 written undertakings. The Commission estimates paragraph (f) of proposed Rule 18a-6 would impose an ongoing annual burden of 2 hours per written undertaking, resulting in an industry-wide ongoing burden of 38 hours per year.⁴¹

Total Industry Hour Burden: Thus, the total initial industry hour burden attributable to proposed Rule 18a-6 is estimated to be 12,914 hours in the first year⁴² and the total industry

18a-5; paragraph (b)(2)(i), cross-referencing paragraph (b)(12) (political contributions) of proposed Rule 18a-5; and paragraph (b)(2)(v) (proposed Rule 18a-4 reserve account computations)).

³⁴ See *Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers*, Exchange Act Release No. 68071 (Oct. 18, 2012), 77 FR 70294 (Nov. 23, 2012).

³⁵ See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rules*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

³⁶ 57 hours x 25 bank SBSBs = 1,425 hours.

³⁷ 40 hours x 25 bank SBSBs = 1,000 hours.

³⁸ (1,425 hours + 1,000 hours) + 1,000 hours + 1,000 hours = 4,425 hours.

³⁹ 4,425 hours / 3 years = 1,475 hours per year.

⁴⁰ See paragraph (f) of proposed Rule 18a-6.

⁴¹ 2 hours x 19 written undertakings = 38 hours per year.

⁴² 4,732 hours + 396 hours + 186 hours + 6,175 hours + 1,425 hours + 0 hours = 12,914 hours.

ongoing hour burden attributable to proposed Rule 18a-6 is estimated to be 9,818 hours per year.⁴³ The total annual burden is estimated to be 14,122.⁴⁴ These burdens are recordkeeping burdens.

Summary of Hourly Burdens										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSBs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	13	1	364.00	121.33	280.00	401.33	401.33	5,217.33	0.00
Stand-alone SBSBs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	9	1	44.00	14.67	30.00	44.67	44.67	402.00	0.00
ANC stand-alone SBSBs: Paragraphs (b)(1)(i) and (b)(1)(x)	Recordkeeping	6	1	31.00	10.33	20.00	30.33	30.33	182.00	0.00
Bank SBSBs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1), (d)(2)(ii), (d)(3)(ii)	Recordkeeping	25	1	247.00	82.33	190.00	272.33	272.33	6,808.33	0.00
Bank SBSBs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	25	1	57.00	19.00	40.00	59.00	59.00	1,475.00	0.00
Third-Party Custodians	Recordkeeping	19	1	0.00	0.00	2.00	2.00	2.00	38.00	0.00
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									14,122.67	

13. Costs to Respondents

The Commission believes that any initial dollar cost associated with proposed Rule 18a-6 is already accounted for in the PRA estimate for proposed Rule 18a-5, which includes the cost of recordkeeping system software. The Commission does not expect that proposed Rule 18a-6 would impose any additional initial costs. Those requirements that are expected to impose an ongoing annual cost to the industry are discussed below.

Stand-Alone SBSBs and Stand-Alone MSBSPs: The Commission estimates that proposed Rule 18a-6 would impose an ongoing annual cost of approximately \$5,720 per stand-alone SBSB or stand-alone MSBSP. The Commission estimates that there are 13 respondents (nine stand-alone SBSBs and four stand-alone MSBSPs), resulting in an estimated industry-wide ongoing annual cost of \$74,360 per year.⁴⁵

⁴³ 3,640 hours + 270 hours + 120 hours + 4,750 hours + 1,000 hours + 38 hours = 9,818 hours.

⁴⁴ 5,217 hours + 402 hours + 182 hours + 6,808 hours + 1,475 hours + 38 hours = 14,122 hours.

⁴⁵ \$5,720 per firm x 13 stand-alone SBSBs and stand-alone MSBSPs = \$74,360 per year.

Stand-Alone SBSDs: The Commission estimates that proposed Rule 18a-6 would impose an ongoing annual cost of approximately \$360 per stand-alone SBSD. The Commission estimates that there are nine respondents, resulting in an estimated industry-wide ongoing annual cost of \$3,240 per year.⁴⁶

ANC Stand-Alone SBSDs: The Commission estimates that proposed Rule 18a-6 would impose an ongoing annual cost of approximately \$240 per ANC stand-alone SBSD. The Commission estimates that there are six respondents, resulting in an estimated industry-wide ongoing annual cost of \$1,440 per year.⁴⁷

Bank SBSDs and Bank MSBSPs: The Commission estimates that proposed Rule 18a-6 would impose an ongoing annual cost of approximately \$4,520 per bank SBSD or bank MSBSP. The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an estimated industry-wide ongoing annual cost of \$113,000 per year.⁴⁸

Bank SBSDs: The Commission estimates that proposed Rule 18a-6 would impose an ongoing annual cost of approximately \$480 per bank SBSD. The Commission estimates that there are 25 respondents, resulting in an estimated industry-wide ongoing annual cost of \$12,000 per year.⁴⁹

⁴⁶ \$360 per firm x 9 stand-alone SBSDs = \$3,240 per year.

⁴⁷ \$240 per firm x 6 ANC stand-alone SBSDs = \$1,440 per year.

⁴⁸ \$4,520 per firm x 25 bank SBSDs and bank MSBSPs = \$113,000 per year.

⁴⁹ \$480 per firm x 25 bank SBSDs = \$12,000 per year.

Total Industry Costs Burden: Therefore, the total annual recordkeeping cost of proposed Rule 18a-6 is estimated to be \$204,040 per year.⁵⁰

Summary of Dollar Costs										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Cost per Entity per Response	Initial Cost Annualized per Entity per Response	Ongoing Cost per Entity per Response	Annual Cost Per Entity per Response	Total Annual Cost Per Entity	Total Industry Cost	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSBs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	13	1	\$0.00	\$0.00	\$5,720.00	\$5,720.00	\$5,720.00	\$74,360.00	0.00
Stand-alone SBSBs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	9	1	\$0.00	\$0.00	\$360.00	\$360.00	\$360.00	\$3,240.00	0.00
ANC stand-alone SBSBs: Paragraphs (b)(1)(i) and (b)(1)(x)	Recordkeeping	6	1	\$0.00	\$0.00	\$240.00	\$240.00	\$240.00	\$1,440.00	0.00
Bank SBSBs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1),(d)(2)(ii), (d)(3)(ii)	Recordkeeping	25	1	\$0.00	\$0.00	\$4,520.00	\$4,520.00	\$4,520.00	\$113,000.00	0.00
Bank SBSBs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	25	1	\$0.00	\$0.00	\$480.00	\$480.00	\$480.00	\$12,000.00	0.00
TOTAL HOURLY COST FOR ALL RESPONDENTS									\$204,040.00	

14. Cost to Federal Government

The federal government does not incur a cost for this collection of information since it relates to a recordkeeping burden for the respondents.

15. Changes in Burden

This burden estimate assumes that stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs keep no records, because the Commission currently does not subject these entities to recordkeeping requirements. Thus, the estimated change in burden represents the entire estimated industrywide burden. More specifically, industry-wide, the estimated increased initial hours burden is 12,914 hours and the estimated increased ongoing hours burden is 9,818 hours per year. Furthermore, industry-wide, there is no expected increased initial cost burden and the estimated increased ongoing cost burden is \$204,040 per year. The Commission believes that any initial dollar cost associated with proposed Rule 18a-6 is already accounted for in the PRA estimate for proposed Rule 18a-5, which includes the cost of recordkeeping system software.

⁵⁰ \$74,360 + \$3,240 + \$1,440 + \$113,000 + \$12,000 = \$204,040 per year.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. OMB Expiration Date Display Approval

The Commission is not seeking approval to not display the OMB approval expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.