

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for Rule 18a-7

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”), which provides that the Commission shall adopt rules governing recordkeeping and reporting for security-based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”),² and section 15F(f)(1)(A) provides that SBSDs and MSBSPs shall make such reports as are required by the Commission, by rule or regulation, regarding the transactions and positions and financial condition of the SBSD or MSBSP.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 More specifically, proposed new Exchange Act Rule 18a-7 would establish reporting requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.⁵ Proposed Rule 18a-7 is modeled on Exchange Act Rule 17a-5, which applies to broker-dealers, but proposed Rule 18a-7 does not include a parallel requirement for every requirement in Rule 17a-5 because some of the requirements in Rule 17a-5 relate to activities that are not expected or permitted of SBSDs and MSBSPs.

Under proposed Rule 18a-7, SBSDs and MSBSPs would be required to periodically file proposed Form SBS.⁶ Moreover, instead of requiring stand-alone SBSDs and stand-alone MSBSPs to make available to customers an audited statement of financial condition with appropriate notes and certain reports of the independent public accountant, the Commission proposed that stand-alone SBSDs and stand-alone MSBSPs make such information available on

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

² See 15 U.S.C. 78o-10.

³ See 15 U.S.C. 78o-10(f)(1)(A).

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.*

⁶ See paragraphs (a)(1)-(2) of proposed Rule 18a-7. Nonbank SBSDs and nonbank MSBSPs would be required to file Form SBS on a monthly basis, whereas bank SBSDs and bank MSBSPs would be required to file Form SBS on a quarterly basis.

their public website.⁷ Further, for the reasons discussed above, the reporting requirements in proposed Rule 18a-7, other than the requirement to periodically file proposed Form SBS, would not apply to bank SBSDs and bank MSBSPs.

2. Purpose and Use of the Information Collection

The purpose of requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to report the records specified in Rule 18a-7 is to enhance regulators' ability to protect investors. These records and the information contained therein are used by examiners and other representatives of the Commission to determine whether stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs are in compliance with the Commission's anti-fraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. If stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs were not required to report these records, examiners would be unable to conduct effective and efficient examinations to determine whether stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs were complying with relevant laws, rules, and regulations.

3. Consideration Given to Information Technology

The data required in Form SBS is tailored to the complexity of the firm's business. The burden is therefore commensurate with the type of business in which the firm engages. The Commission expects that most, if not all, Form SBSs will be filed electronically. Annual reports, however, would be filed with the Commission in paper form.

4. Duplication

There is no duplication anticipated with respect to stand-alone SBSDs and stand-alone MSBSPs, because they currently are not required to report the information in proposed Form SBS. In addition, proposed Form SBS is intended to minimize duplication with respect to bank SBSDs and bank MSBSPs, which currently file Call Reports with the prudential regulators.

5. Effect on Small Entities

Based on feedback from industry participants about the security-based swap market, entities that would qualify as SBSDs or MSBSPs would likely exceed the thresholds defining "small entities". Thus, it is unlikely that the requirements under proposed new Rule 18a-7 would have a significant economic impact on a small entity.

6. Consequences of Not Conducting Collection

The required reports are used by Commission to monitor the financial and operational condition of stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs. If the required reports were not made, the ability of the Commission to monitor the financial and operational condition of these firms would be impaired potentially affecting regulators'

⁷ 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).

capability to protect customers. Further, if the required collections were conducted less frequently, the information in the reports would become outdated.

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

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

8. Consultations Outside the Agency

The 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

Annual reports filed by nonbank SBSs and nonbank MSBSPs under paragraph (c) of proposed Rule 18a-7 are not confidential, except that if the Statement of Financial Condition is bound separately from the balance of the annual reports, and each page of the balance of the annual reports is stamped “confidential,” then the balance of the annual reports shall be deemed confidential to the extent permitted by law.⁸ With respect to the other information collected under proposed Rule 18a-7, the covered firm can request the confidential treatment of the information.⁹ If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.¹⁰

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.

⁸ See paragraph (d)(1) of proposed Rule 18a-7.

⁹ See 17 CFR 200.83. Information regarding requests for confidential treatment of information submitted to the Commission is available at <http://www.sec.gov/foia/howfo2.htm#privacy>.

¹⁰ See, e.g., 15 U.S.C. 78x (governing the public availability of information obtained by the Commission); 5 U.S.C. 552 *et seq.*

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”).¹¹

12. Burden of Information Collection

Proposed Rule 18a-7 described in the SBS Recordkeeping Release would establish reporting requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.¹² The proposed rule is expected to impose a one-time initial burden and an ongoing burden on the industry, although actual reporting requirements are expected to vary depending on the size and complexity of the firm.

ANC Reports: Paragraph (a)(3) of proposed Rule 18a-7 would require ANC stand-alone SBSDs to periodically file certain additional reports relating to their use of internal models to calculate net capital.¹³ The Commission estimates that paragraph (a)(3) of proposed Rule 18a-7 would impose no initial burden and an annual burden of 132 hours per ANC stand-alone SBSD (including the first year).¹⁴ The Commission estimates that there are six ANC stand-alone SBSDs, resulting in an industry-wide estimated ongoing burden of 792 hours per year.¹⁵

Customer Statements: Paragraph (b) of proposed Rule 18a-7 would require stand-alone SBSDs and stand-alone MSBSPs to disclose certain financial statements on their Internet websites.¹⁶ The Commission estimates that paragraph (b) of proposed Rule 18a-7 would impose an initial burden of 10 hours per firm and an annual burden of one hour 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 industry-wide initial burden of 130 hours¹⁷ and an industry-wide ongoing burden of 13 hours per year (including the first year).¹⁸ Over a three year

¹¹ 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.

¹² *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).

¹³ *See* paragraph (a)(3) of proposed Rule 18a-7.

¹⁴ (4 hours/monthly report x 12 months/year + 8 hours/quarterly report x 4 quarters/year + 40 hours/annual report) + 1 hour/liquidity stress test filing x 12 months per year = 132 hours per year.

¹⁵ 132 hours per year x 6 ANC stand-alone SBSDs = 792 hours per year.

¹⁶ *See* paragraph (b) of proposed Rule 18a-7.

¹⁷ 10 hours x 13 stand-alone SBSDs and stand-alone MSBSPs = 130 hours.

¹⁸ 1 hour per year x 13 stand-alone SBSDs and stand-alone MSBSPs = 13 hours per year.

period, the total estimated industry burden would be 169 hours,¹⁹ or about 56 hours per year when annualized.²⁰

Annual Reports for Stand-Alone MSBSPs: Paragraph (c) of proposed Rule 18a-7 would require stand-alone SBSBs and stand-alone MSBSPs to file with the Commission an annual report consisting of certain financial reports.²¹ In addition, paragraph (d) of proposed Rule 18a-7 requires the filing firm to attach Part III of Form X-17A-5 to the annual report.²² Part III must include an oath or affirmation, which implicitly requires a senior officer or a trusted delegate to review the annual report. The Commission estimates that paragraphs (c) and (d) of proposed Rule 18a-7 would impose on stand-alone MSBSPs an annual burden of 10 hours (including the first year). The Commission estimates that there are four stand-alone MSBSPs, resulting in an industry-wide estimated ongoing burden of 40 hours per year (including the first year).²³

Annual Reports for Stand-Alone SBSBs: Unlike stand-alone MSBSPs, stand-alone SBSBs would be required to include a compliance report with their annual reports.²⁴ The Commission estimates that each compliance report takes approximately 60 hours to prepare.²⁵ Therefore, paragraphs (c) and (d) of proposed Rule 18a-7 would impose an estimated annual burden of 70 hours per stand-alone SBSB (including the first year). The Commission estimates that there are nine stand-alone SBSBs, resulting in an industry-wide estimated ongoing burden of 630 hours per year (including the first year).²⁶

Statement Regarding Independent Public Accountant: Paragraph (e) of proposed Rule 18a-7 would require stand-alone SBSBs and stand-alone MSBSPs to file a statement regarding the independent public accountant engaged to audit the firm's annual reports.²⁷ The Commission estimates that paragraph (e) of proposed Rule 18a-7 would impose an initial burden of 10 hours per firm and an annual burden of two hours per firm (including the first year). The Commission estimates that there are 13 respondents (nine stand-alone SBSBs and four stand-alone MSBSPs), resulting in an estimated industry-wide initial burden of 130 hours²⁸ and an estimated industry-wide ongoing burden of 26 hours per year (including the first year).²⁹ Over a

¹⁹ (130 hours + 13 hours) + 13 hours + 13 hours = 169 hours.

²⁰ 169 hours / 3 years = 56.33 hours per year.

²¹ See paragraph (c) of proposed Rule 18a-7.

²² See paragraph (d) of proposed Rule 18a-7.

²³ 10 hours per year × 4 stand-alone MSBSPs = 40 hours per year.

²⁴ See paragraph (c)(1)(i)(B) of proposed Rule 18a-7.

²⁵ See *Broker-Dealer Reports; Final Rule*, Exchange Act Release No. 70073 (July 30, 2013), 78 FR 51910, 51960 (Aug. 21, 2013).

²⁶ 70 hours per year × 9 stand-alone SBSBs = 630 hours per year.

²⁷ See paragraph (e) of proposed Rule 18a-7.

²⁸ 10 hours × 13 stand-alone SBSBs and stand-alone MSBSPs = 130 hours.

²⁹ 2 hours per year × 13 stand-alone SBSBs and stand-alone MSBSPs = 26 hours per year.

three year period, the total estimated industry burden would be 208 hours,³⁰ or about 69 hours per year when annualized.³¹

Notice of Change in Fiscal Year: Paragraph (j) of proposed Rule 18a–7 would require stand-alone SBSBs and stand-alone MSBSPs to notify the Commission of a change in fiscal year.³² The Commission estimates that each financial notice takes approximately one hour to prepare and file with the Commission.³³ The Commission estimates that paragraph (j) of proposed Rule 18a–7 would impose a burden of one hour per firm planning to change its fiscal year. The Commission estimates that each year, one firm will change its fiscal year, such that the estimated burden on the industry would be one hour per year (including the first year).³⁴

Proposed Form SBS for Stand-Alone SBSBs: Proposed Rule 18a–7 would require stand-alone SBSBs to file proposed Form SBS on a monthly basis.³⁵ Proposed Form SBS includes 11 sections and five schedules applicable to stand-alone SBSBs.³⁶ Stand-alone SBSBs dually registered as FCMs would be required to complete five additional sections, all of which the CFTC already requires or has proposed to require FCMs to file as part of Form 1–FR–FCM.³⁷ In consideration of these additional requirements, the Commission estimates that the

³⁰ (130 hours + 26 hours) + 26 hours + 26 hours = 208 hours.

³¹ 208 hours / 3 years = 69.33 hours per year.

³² See paragraph (j) of proposed Rule 18a–7.

³³ See Commission, *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a–11* (June 29, 2012), available at <http://www.reginfo.gov/public/do/DownloadDocument?documentID=332313&version=1>.

³⁴ 1 hour per year x 1 stand-alone SBSB or stand-alone MSBSP = 1 hour per year.

³⁵ See paragraph (a)(1) of proposed Rule 18a–7.

³⁶ Stand-alone SBSBs would be required to complete the following sections and schedules: (1) Statement of Financial Condition; (2) either Computation of Net Capital (Filer Authorized to Use Models) or Computation of Net Capital (Filer Not Authorized to Use Models); (3) Computation of Minimum Regulatory Capital Requirements (Non-Broker-Dealer); (4) Statement of Income (Loss); (5) Capital Withdrawals; (6) Capital Withdrawals—Recap; (7) Financial and Operational Data; (8) Financial and Operational Data—Operational Deductions from Capital—Note A; (9) Financial and Operational Data—Potential Operational Charges Not Deducted from Capital—Note B; (10) Computation for Determination of the Amount to be Maintained in the Special Account for the Exclusive Benefit of Security-Based Swap Customers—Rule 18a–4, Appendix A; (11) Information for Possession or Control Requirements under Rule 18a–4; (12) Schedule 1—Aggregate Securities, Commodities, and Swaps Positions; (13) Schedule 2—Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (14) Schedule 3—Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (15) Schedule 4—Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

³⁷ Stand-alone SBSBs also registered as FCMs would be required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition,

requirement for stand-alone SBSs to file proposed Form SBS every month would impose an initial burden of 160 hours per firm and an ongoing annual burden of 192 hours per firm (including the first year). The Commission estimates that there are nine stand-alone SBSs, resulting in an estimated industry-wide initial burden of 1,440 hours³⁸ and an estimated industry-wide ongoing burden of 1,728 hours per year (including the first year).³⁹ Over a three year period, the total estimated industry burden would be 6,624 hours,⁴⁰ or 2,208 hours per year when annualized.⁴¹

Proposed Form SBS for Stand-Alone MSBSPs: Proposed Rule 18a-7 would require stand-alone MSBSPs to file proposed Form SBS on a monthly basis.⁴² Proposed Form SBS includes three sections and five schedules applicable to stand-alone MSBSPs.⁴³ Stand-alone MSBSPs dually registered as FCMs would be required to complete five additional sections, all of which the CFTC already requires or has proposed to require FCMs to file as part of Form 1-FR-FCM.⁴⁴ In consideration of these additional requirements, the Commission estimates that the requirement for stand-alone MSBSPs to file proposed Form SBS every month would impose an initial burden of 40 hours per firm and an ongoing annual burden of 48 hours per firm. The Commission estimates that there are four stand-alone MSBSPs, resulting in an estimated industry-wide initial burden of 160 hours⁴⁵ and an estimated industry-wide ongoing burden of

the Commission does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's proposed Form SBS.

³⁸ 160 hours × 9 stand-alone SBSs = 1,440 hours.

³⁹ 192 hours per year × 9 stand-alone SBSs = 1,728 hours per year.

⁴⁰ (1,440 hours + 1,728 hours) + 1,728 hours + 1,728 hours = 6,624 hours.

⁴¹ 6,624 hours / 3 years = 2,208 hours per year.

⁴² See paragraph (a)(1) of proposed Rule 18a-7.

⁴³ Stand-alone MSBSPs would be required to complete the following sections and schedules: (1) Statement of Financial Condition; (2) Computation of Tangible Net Worth; (3) Statement of Income (Loss); (4) Schedule 1—Aggregate Securities, Commodities, and Swaps Positions; (5) Schedule 2—Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (6) Schedule 3—Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (7) Schedule 4—Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

⁴⁴ Stand-alone MSBSPs also registered as FCMs would be required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's proposed Form SBS.

⁴⁵ 40 hours × 4 stand-alone MSBSPs = 160 hours.

192 hours per year.⁴⁶ Over a three year period, the total estimated industry burden would be 736 hours,⁴⁷ or 245 hours per year when annualized.⁴⁸

Proposed Form SBS for Bank SBSBs: Proposed Rule 18a-7 would require bank SBSBs to file proposed Form SBS on a quarterly basis.⁴⁹ Proposed Form SBS includes five sections and one schedule applicable to bank SBSBs.⁵⁰ The Commission does not expect proposed Form SBS to impose a significant burden on bank SBSBs, because two of the five sections require the firm to file calculations already computed in accordance with proposed Rule 18a-3, and the other three sections either mirror or are scaled down versions of schedules to FFIEC Form 031, which banks are already required to file with their prudential regulator (although they would need to transpose this information from FFIEC Form 031 to Form SBS). Although bank SBSBs dually registered as FCMs would be required to complete 5 additional sections, the CFTC already requires or has proposed to require FCMs to file these schedules on Form 1-FR-FCM.⁵¹ In consideration of these additional requirements, the Commission estimates that the requirement for bank SBSBs to file proposed Form SBS quarterly would impose an initial burden of 36 hours per firm and an ongoing annual burden of 16 hours per firm per year. The Commission estimates that there are 25 bank SBSBs, resulting in an estimated industry-wide initial burden of 900 hours⁵² and an estimated industry-wide ongoing burden of 400 hours per year.⁵³ Over a three year period, the total estimated industry burden would be 2,100 hours,⁵⁴ or 700 hours per year when annualized.⁵⁵

⁴⁶ 48 hours per year \times 4 stand-alone MSBSPs = 192 hours per year.

⁴⁷ (160 hours + 192 hours) + 192 hours + 192 hours = 736 hours.

⁴⁸ 736 hours / 3 years = 245.33 hours per year.

⁴⁹ See paragraph (a)(2) of proposed Rule 18a-7.

⁵⁰ Bank SBSBs would be required to complete the following sections and schedules: (1) Balance Sheet (Information as Reported on FFIEC Form 031—Schedule RC); (2) Regulatory Capital (Information as Reported on FFIEC Form 031— Schedule RC-R); (3) Income Statement (Information as Reported on FFIEC Form 031—Schedule RI); (4) Computation for Determination of the Amount to be Maintained in the Special Account for the Exclusive Benefit of Security-Based Swap Customers—Rule 18a-4, Appendix A; (5) Information for Possession or Control Requirements under Rule 18a-4; and (6) Schedule 1 – Derivative Positions.

⁵¹ Bank SBSBs also registered as FCMs would be required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's proposed Form SBS.

⁵² 36 hours \times 25 bank SBSBs = 900 hours.

⁵³ 16 hours per year \times 25 bank SBSBs = 400 hours per year.

⁵⁴ (900 hours + 400 hours) + 400 hours + 400 hours = 2,100 hours.

Proposed Form SBS for Bank MSBSPs: Proposed Rule 18a–7 would require bank MSBSPs to file proposed Form SBS on a quarterly basis.⁵⁶ Proposed Form SBS includes three sections and one schedule applicable to bank MSBSPs.⁵⁷ Bank MSBSPs dually registered as FCMs would be required to complete five additional sections, all of which the CFTC already requires or has proposed to require FCMs to file as part of Form 1–FR–FCM.⁵⁸ However, the Commission does not expect any banks to register with the Commission as MSBSPs and therefore does not anticipate these requirements to impose an additional burden.⁵⁹

⁵⁵ 2,100 hours / 3 years = 700 hours per year.

⁵⁶ See paragraph (a)(2) of proposed Rule 18a–7.

⁵⁷ Bank MSBSPs would be required to complete the following sections and schedules: (1) Balance Sheet (Information as Reported on FFIEC Form 031—Schedule RC); (2) Regulatory Capital (Information as Reported on FFIEC Form 031—Schedule RC–R); (3) Income Statement (Information as Reported on FFIEC Form 031—Schedule RI); and (4) Schedule 1 – Derivative Positions.

⁵⁸ Bank MSBSPs also registered as FCMs would be required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC’s Form 1–FR–FCM and the Commission’s proposed Form SBS.

⁵⁹ The Commission estimates that the requirement for bank MSBSPs to file proposed Form SBS quarterly would impose an initial burden of 16 hours per firm and an ongoing annual burden of 8 hours per firm.

Total Industry Hour Burden: Thus, the Commission estimates that the total initial industry hour burden attributable to proposed Rule 18a-7 is 2,760 hours⁶⁰ and the total annual industry hour burden attributable to proposed Rule 18a-7 is 3,822 hours per year (including the first year).⁶¹ Over a three year period, the total estimated industry burden would be 14,226 hours,⁶² or about 4,742 hours per year when annualized.⁶³ These burdens are reporting 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 %]
Additional ANC Reports	Reporting	6	1	0.00	0.00	132.00	132.00	132.00	792.00	0
Customer Statements	Reporting	13	1	10.00	3.33	1.00	4.33	4.33	56.33	0
Annual Reports for Stand-Alone MSBSPs	Reporting	4	1	0.00	0.00	10.00	10.00	10.00	40.00	0
Annual Reports for Stand-Alone SBSDs	Reporting	9	1	0.00	0.00	70.00	70.00	70.00	630.00	0
Statement Regarding Independent Public Accountant	Reporting	13	1	10.00	3.33	2.00	5.33	5.33	69.33	0
Notice of Change in Fiscal Year	Reporting	1	1	0.00	0.00	1.00	1.00	1.00	1.00	0
Proposed Form SBS for Stand-Alone SBSDs	Reporting	9	12	13.33	4.44	16.00	20.44	245.33	2,208.00	0
Proposed Form SBS for Stand-Alone MSBSPs	Reporting	4	12	3.33	1.11	4.00	5.11	61.33	245.33	0
Proposed Form SBS for Bank SBSDs	Reporting	25	4	9.00	3.00	4.00	7.00	28.00	700.00	0
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									4,742.00	

13. Costs to Respondents

The Commission estimates that proposed Rule 18a-7 would cause a stand-alone SBSD or a stand-alone MSBSP to incur no initial dollar cost, but would cause an annual dollar cost to meet the reporting requirements of the annual report, statement regarding accountant, engagement of accountant, and notice of change in fiscal year. Proposed Rule 18a-7 is not expected to increase the initial or annual dollar costs that bank SBSDs and bank MSBSPs incur to meet the reporting requirements, because banks are already subject to reporting requirements

⁶⁰ 130 hours + 130 hours + 1,440 hours + 160 hours + 900 hours = 2,760 hours.

⁶¹ 792 hours + 13 hours + 40 hours + 630 hours + 26 hours + 1 hour + 1,728 hours + 192 hours + 400 hours = 3,822 hours.

⁶² (2,760 hours in first year + 3,822 hours in first year) + 3,822 hours in second year + 3,822 hours in third year = 14,226 hours.

⁶³ 14,226 hours / 3 years = 4,742 hours per year.

by the prudential regulators.⁶⁴ Those requirements that are expected to impose an annual cost to the industry are discussed below.

Website and Toll-Free Number: The Commission does not anticipate a dollar cost to establish a website and a toll-free number under paragraph (b) of proposed Rule 18a-7, because the Commission believes firms that are large enough to register as an SBSD or MSBSP already maintain a toll-free number for their customers and already have an Internet website.

Annual Report for Stand-Alone SBSDs and Stand-Alone MSBSPs: The Commission estimates that postage costs to comply with paragraphs (c) and (d) of proposed Rule 18a-7 would impose on stand-alone SBSDs and stand-alone MSBSPs an annual dollar cost of \$5.60 per firm.⁶⁵ The Commission estimates that there are 13 respondents (nine stand-alone SBSDs and four stand-alone MSBSPs), resulting in an estimated industry-wide cost of \$72.80 per year.⁶⁶

Statement Regarding Accountant: The Commission estimates that postage costs to comply with paragraph (e) of proposed Rule 18a-7 would impose an annual dollar cost of 46 cents per firm.⁶⁷ The Commission estimates that there are 13 respondents (nine stand-alone SBSDs and four stand-alone MSBSPs), resulting in an industry-wide cost of \$5.98 per year.⁶⁸

Engagement of Accountant for Stand-Alone SBSDs and Stand-Alone MSBSPs: Paragraph (f) of proposed Rule 18a-7 would require stand-alone SBSDs and stand-alone MSBSPs to engage an independent public accountant to provide reports covering the firm's annual reports.⁶⁹ The Commission previously estimated that it would cost each carrying firm \$300,000 to retain an independent public accountant to audit its financial statements and \$150,000 to examine its compliance report.⁷⁰ However, since only stand-alone SBSDs are required to file a compliance report,⁷¹ only they (and not stand-alone MSBSPs) would be required to retain an independent public accountant to review their compliance reports.

Therefore, Commission estimates that paragraph (f) of proposed Rule 18a-7 would impose an annual cost of \$300,000 on each stand-alone MSBSP. The Commission estimates that

⁶⁴ See, e.g., 12 CFR 12.3 (Department of Treasury); 12 CFR 219.21 *et seq.* (Federal Reserve); 12 CFR 344.4 (FDIC).

⁶⁵ As of May 2013, a priority mail flat rate envelope cost \$5.60, based on costs obtained on the U.S. Postal Service website at www.usps.gov.

⁶⁶ \$5.60 per firm x 13 stand-alone SBSDs and stand-alone MSBSPs = \$72.80 per year.

⁶⁷ As of October 2013, it cost 46 cents to send a one ounce retail domestic first-class letter through the U.S. Postal Service.

⁶⁸ \$0.46 per firm x 13 stand-alone SBSDs and stand-alone MSBSPs = \$5.98 per year.

⁶⁹ See paragraph (f) of proposed Rule 18a-7.

⁷⁰ See *Broker-Dealer Reports; Final Rule*, Exchange Act Release No. 70073 (July 30, 2013), 78 FR 51910, 51963 (Aug. 21, 2013).

⁷¹ See paragraph (c)(1)(i)(B) of proposed Rule 18a-7.

there are four stand-alone MSBSPs, resulting in an industry-wide ongoing burden of \$1,200,000 per year.⁷²

The Commission estimates that paragraph (f) of proposed Rule 18a-7 would impose on stand-alone SBSDs an annual cost of \$450,000 per firm,⁷³ since both their financial statements and compliance report would need to be audited. The Commission estimates that there are nine stand-alone SBSDs, resulting in an industry-wide ongoing burden of \$4,050,000 per year.⁷⁴

Notice of Change of Fiscal Year: The Commission estimates that postage cost to comply with paragraph (j) of proposed Rule 18a-7 would impose an annual dollar cost of 46 cents per firm planning to change its fiscal year.⁷⁵ The Commission estimates that each year, one firm will change its fiscal year, such that the estimated cost burden on the industry would be 46 cents per year.⁷⁶

Total Industry Costs Burden: Therefore, the total industry-wide dollar cost of proposed Rule 18a-7 is estimated to be \$5,250,079.24 per year.⁷⁷

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 %]
Annual Reports for Stand-Alone MSBSPs	Reporting	4	1	\$0.00	\$0.00	\$5.60	\$5.60	\$5.60	\$22.40	0
Annual Reports for Stand-Alone SBSDs	Reporting	9	1	\$0.00	\$0.00	\$5.60	\$5.60	\$5.60	\$50.40	0
Statement Regarding Independent Public Accountant	Reporting	13	1	\$0.00	\$0.00	\$0.46	\$0.46	\$0.46	\$5.98	0
Engagement of Accountant for Stand-Alone MSBSPs	Reporting	4	1	\$0.00	\$0.00	\$300,000.00	\$300,000.00	\$300,000.00	\$1,200,000.00	0
Engagement of Accountant for Stand-Alone SBSDs	Reporting	9	1	\$0.00	\$0.00	\$450,000.00	\$450,000.00	\$450,000.00	\$4,050,000.00	0
Notice of Change in Fiscal Year	Reporting	1	1	\$0.00	\$0.00	\$0.46	\$0.46	\$0.46	\$0.46	0
TOTAL HOURLY COST FOR ALL RESPONDENTS									\$5,250,079.24	

⁷² \$300,000 per year x 4 stand-alone MSBSPs = \$1,200,000 per year.

⁷³ \$300,000 per year (financial statements) + \$150,000 per year (compliance report) = \$450,000 per year.

⁷⁴ \$450,000 per year x 9 stand-alone SBSDs = \$4,050,000 per year.

⁷⁵ As of October 2013, it cost 46 cents to send a one ounce retail domestic first-class letter through the U.S. Postal Service.

⁷⁶ \$0.46 per year x 1 stand-alone SBSD or stand-alone MSBSP = \$0.46 per year.

⁷⁷ \$72.80 + \$5.98 + \$4,050,000 + \$1,200,000 + \$0.46 = \$5,250,079.24.

14. Cost to Federal Government

Rule 18a-7 is not expected to result in costs to the federal government due to contracting, information technology, development, hiring one or more new employees, or reallocating existing employees.

15. Changes in Burden

Because stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank MSBSs are currently not regulated by the Commission, the estimated change in burden represents the entire estimated industry-wide burden. More specifically, the annual ongoing burden of 4,742 hours reflects a 4,742 hour increase from the current OMB inventory of 0 hours. Similarly, the annual cost burden of \$5,250,079.24 reflects a \$5,250,079.24 increase from the current OMB inventory of \$0.

16. Information Collection Planned for Statistical Purposes

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

17. OMB Expiration Date Display Approval

We request authorization to omit the expiration date on the electronic version of the form, although the OMB control number will be displayed. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application's scheduled version release dates.

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.