

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
the Consolidated Audit Trail NMS Plan (NMS Plan Required to be Filed under
Commission Rule 613)

A. Justification

This submission is being made pursuant to the Paperwork Reduction Act of 1995, 44 U.S.C. Section 3501 et. seq. The collection of information is in connection with an National Market System (NMS) Plan filed with the Commission under Rule 613.

1. Necessity of Information Collection

The Commission believes that the regulatory data infrastructure on which FINRA and the national securities exchanges (the “Participants”) and the Commission currently must rely is generally outdated and inadequate to effectively oversee a complex, dispersed and highly automated national market system. In performing their oversight responsibilities, regulators today must attempt to cobble together disparate data from a variety of existing information systems lacking in completeness, accuracy, accessibility, and/or timeliness—a model that neither supports the efficient aggregation of data from multiple trading venues, nor yields the type of complete and accurate market activity data needed for robust market oversight.

Currently, FINRA and some of the exchanges maintain their own separate audit trail systems for certain segments of this trading activity, which vary in scope, required data elements and format. In performing their market oversight responsibilities, Participant and Commission staffs today must rely heavily on data from these various Participant audit trails. However, there are shortcomings in the completeness, accuracy, accessibility, and timeliness of these existing audit trail systems. Some of these shortcomings are a result of the disparate nature of the systems, which make it impractical, for example, to follow orders through their entire lifecycle as they may be routed, aggregated, re-routed, and disaggregated across multiple markets. The lack of key information in the audit trails that would be useful for regulatory oversight, such as the identity of the customers who originate orders, or even the fact that two sets of orders may have been originated by the same customer, is another shortcoming.

Though Participant and Commission staffs also have access to sources of market activity data other than Participant audit trails, these systems each suffer their own drawbacks. For example, data obtained from the electronic blue sheet system and equity cleared reports comprise only trade executions, and not orders or quotes. In addition, like data from existing audit trails, data from these sources lacks key elements important to regulators, such as the identity of the customer in the case of equity cleared reports. Furthermore, recent experience with implementing incremental improvements to the electronic blue sheet system has illustrated some of the overall limitations of the current technologies and mechanisms used by the industry to collect, record, and make available

market activity data for regulatory purposes.¹

Recognizing these shortcomings, on July 11, 2012, the Commission adopted Rule 613 of Regulation NMS under the Act.² Rule 613 required the Participants to submit an NMS plan to create, implement, and maintain the consolidated audit trail (“CAT”) that would capture customer and order event information for orders in NMS securities, across all markets, from the time of order inception through routing, cancellation, modification, or execution in a single, consolidated data source.³ On February 27, 2015, the Participants submitted the CAT NMS Plan.⁴

On April 27, 2016, the Commission published a notice soliciting comments from the public (“CAT NMS Plan Notice”).⁵ On November 15, 2016, the Commission approved the CAT NMS Plan (“CAT NMS Plan Order”), including the information collections proposed in the CAT NMS Plan Notice and certain additional information collections that are the subject of this supplemental submission.⁶ The CAT NMS Plan

¹ See Securities Exchange Act Release No. 64976 (July 27, 2011), 76 FR 46960 (August 3, 2011) (“Large Trader Release”).

² See Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722 (August 1, 2012) (“Adopting Release”); see also Securities Exchange Act Release No. 62174 (May 26, 2010), 75 FR 32556 (June 8, 2010) (“Proposing Release”).

³ See 17 CFR 242.613(a)(1), (c)(1), (c)(7).

⁴ See Letter from Participants to Brent J. Fields, Secretary, Commission, dated February 27, 2015. The Participants filed the CAT NMS Plan on September 30, 2014. See Letter from the Participants, to Brent J. Fields, Secretary, Commission, dated September 30, 2014. The CAT NMS Plan filed on February 27, 2015, was an amendment to and replacement of the Initial CAT NMS Plan (the “Amended and Restated CAT NMS Plan”). On December 24, 2015, the Participants submitted an Amendment to the Amended and Restated CAT NMS Plan. See Letter from Participants to Brent J. Fields, Secretary, Commission, dated December 23, 2015 (the “Amendment”). On February 9, 2016, the Participants filed with the Commission an identical, but unmarked, version of the Amended and Restated CAT NMS Plan, dated February 27, 2015, as modified by the Amendment, as well as a copy of the request for proposal issued by the Participants to solicit Bids from parties interested in serving as the Plan Processor for the consolidated audit trail. Unless the context otherwise requires, the “CAT NMS Plan” shall refer to the Amended and Restated CAT NMS Plan, as modified by the Amendment.

⁵ See Securities Exchange Act Release No. 77724 (April 27, 2016), 81 FR 30613 (May 17, 2016). The burdens associated with the CAT NMS Plan Notice were submitted under OMB number 3235-0671 which relates to the NMS Plan required to be filed under Rule 613.

⁶ See Securities Exchange Act Release No. 79318 (November 15, 2016), 81 FR 84696 (November 23, 2016).

Order information collections that were first noticed in the CAT NMS Plan Notice were approved by OMB on March 9, 2017 (“Existing Collections”). The Existing Collections are further detailed in the attached previously-filed supporting statement (“Existing Collections Supporting Statement”), and the associated burdens therein remain unchanged by this submission.

This supporting statement addresses only the new information collections noticed in the CAT NMS Plan Order, which are: (1) an independent audit of the fees, costs, and expenses incurred by the Participants on behalf of the CAT NMS, LLC (“Company”) prior to the Effective Date of the Plan; (2) an assessment of the clock synchronization standards in the Plan before reporting begins for Industry Members, which assessment shall take into account the diversity of CAT Reporters and systems; (3) a report that discusses the Participants’ assessment of implementing coordinated surveillance; (4) a report discussing the feasibility and advisability of allowing Industry Members to bulk download the Raw Data that it has submitted to the Central Repository; (5) an assessment of the nature and extent of errors in the Customer information submitted to the Central Repository and whether the correction of certain data fields over others should be prioritized; (6) a report on the impact of tiered fees on market liquidity, including an analysis of the impact of the tiered-fee structure on Industry Members’ provision of liquidity; (7) an assessment of the projected impact of any Material Systems Change on the Maximum Error Rate, prior to the implementation of such Material Systems Change; (8) a requirement that the CAT LLC financials be (i) in compliance with GAAP, (ii) be audited by an independent public accounting firm, and (iii) be made publicly available; and (9) a requirement that each Participant conduct background checks of its employees and contractors that will use the CAT System. The estimates discussed below are for these new information collection requirements proposed in the CAT NMS Plan Order.

2. Purposes and Use of the Information Collection

The Commission believes that the CAT NMS Plan would improve the quality of the data available to regulators in four areas that affect the ultimate effectiveness of core regulatory efforts—completeness, accuracy, accessibility and timeliness.⁷ To ensure that the Plan is implemented in accordance with these objectives, for the reasons described below, the Commission believes an audit, certain assessments and certain reports prepared by the Participants on various aspects of the Plan are necessary.

⁷ See Adopting Release, *supra* note 2, at 45727 (discussing four “qualities” of trade and order data that impact the effectiveness of core Participant and Commission regulatory efforts: accuracy, completeness, accessibility, and timeliness).

A. Independent Audit of Expenses Incurred Prior to the Effective Date

The Commission understands that the Participants intend to recover, through CAT fees, the amounts spent on the development of the CAT to date. Section 6.6(a)(i) of the CAT NMS Plan requires the Participants to provide to the Commission, and make public, an independent audit of fees, costs and expenses incurred by the Participants on behalf of the Company, prior to the Effective Date, in connection with the creation and implementation of the CAT, at least one month prior to submitting any rule filing to establish initial fees to the Commission. To facilitate public comment and Commission review of such fee filings to ensure the fees imposed on Industry Members are reasonable, equitable and not unfairly discriminatory, the Commission believes it is appropriate for the Participants to obtain an audit of the fees, costs and expenses incurred by the Participants on behalf of the Company prior to the Effective Date.

B. Review of Clock Synchronization Standards

Section 6.6(a)(ii) of the CAT NMS Plan requires a written assessment of clock synchronization standards, including consideration of industry standards based on the type of CAT Reporter, Industry Member and type of system. The Commission believes that the Participants should consider the type of CAT Reporter, the type of Industry member, and type of system when determining industry standards. The Commission believes the Participants should consider the Plan's clock synchronization standards based on the diversity of the CAT Reporter, Industry Member, and type of system promptly and propose any appropriate amendments for Commission consideration, within six months of effectiveness of the Plan.

C. Coordinated Surveillance Report

Section 6.6(a)(iii) of the CAT NMS Plan requires the Participants to provide the Commission with a written report that discusses the Participants' assessment of implementing coordinated surveillance, whether through 17d-2 agreements, regulatory services agreements, or some other approach, within 12 months of effectiveness of the Plan. The CAT is designed to facilitate the ability of regulators to conduct cross-market surveillances and to review conduct that occurs across the market. As a result, the Commission believes that it may be efficient for the Participants to coordinate to conduct cross market surveillances.

D. Assessment of Industry Member Bulk Access to Reported Data

Section 6.6(a)(iv) of the CAT NMS Plan requires the Participants to provide a written report discussing the feasibility, benefits and risks of allowing an Industry Member to bulk download the Raw Data it submitted to the Central Repository, within 24 months of effectiveness of the Plan. Commenters expressed a desire for bulk access to their own data for surveillance and internal compliance purposes, as well as to facilitate the error correction process. While the Participants did not permit such access in the

Plan, citing security and cost concerns, they did represent that they would consider allowing bulk access to the audit trail data reported by Industry Members once CAT is operational. The Commission believes it is important to consider the potential efficiencies of allowing Industry Members bulk access to their own CAT data, so long as such access does not impact the security of the CAT Data, and accordingly added this requirement.

E. Assessment of Errors in Customer Information Fields

Section 6.6(a)(v) of the CAT NMS Plan requires the Participants to submit a written assessment of the nature and extent of errors in the Customer information submitted to the Central Repository and whether the correction of certain data fields should be prioritized, within 36 months of effectiveness of the Plan. The Commission believes that requiring such an assessment, which will coincide with the date all Industry Members are reporting to the CAT, could help ensure that the accuracy of CAT Data is achieved in the most prompt and efficient manner.

F. Report on Impact of Tiered Fees on Market Liquidity

Section 6.6(a)(vi) of the CAT NMS Plan requires the Participants to submit a written report on the impact of tiered-fees on market liquidity, including an analysis of the impact of the tiered-fee structure on Industry Members provision of liquidity, within 36 months of effectiveness of the Plan. To help determine whether the Plan's funding model actually achieves the Participants' stated objective, the Commission believes it is appropriate to require them to prepare such an assessment of the impact of tiered fees once the CAT becomes fully operational.

G. Assessment of Material Systems Change on Error Rate

The CAT NMS Plan requires the Participants to provide the Commission a written assessment of the projected impact of any Material Systems Change on the Maximum Error Rate, prior to the implementation of any Material Systems Change. The Commission believes that Material Systems Changes either could result in new challenges for CAT Reporters or simplify the means for reporting data. In either case, the appropriateness of the Maximum Error Rate could be impacted, and thus warrant a change. Accordingly, the Commission believes it appropriate to require the Participants to provide the Commission an assessment of the projected impact on the Maximum Error Rate, including any recommended changes thereto, prior to the implementation of any Material Systems Change.

H. Financial Statements

Section 9.2 of the CAT NMS Plan requires that CAT LLC's financials be (i) in compliance with GAAP, (ii) be audited by an independent public accounting firm, and (iii) be made publicly available. The Commission believes that this requirement will

promote will promote greater accuracy and greater transparency with respect to the Company's financial accounting.

I. Background Checks

Section 6.1(g) of the CAT NMS Plan requires that each Participant conduct background checks for its employees and contractors that will use the CAT System. The Commission believes that this is appropriate in order to ensure that only authorized and qualified persons are using the CAT System.

3. Consideration Given to Information Technology

The Commission believes that the collection of information requirement "Background Checks" would involve the use of electronic submission and collection techniques. The Commission believes that these would be background checks using fingerprints that would be submitted either in hard copy or electronically to the Attorney General of the United States for identification and processing.

Improvements in information technology would not have any impact on the burdens associated with the proposed collections of information (in fact, improvements in information technology may reduce any burdens associated with the Plan), nor that any obstacles exist to reducing such burdens.

4. Duplication

With the exception of the "Background Checks" information collection, the proposed collection of information requirement pertains solely to the CAT LLC or the operation of the CAT System and, is not required elsewhere. We are not aware of any collection of information requirements that conflict with or substantially duplicate the proposed collection of information requirements.

With respect to the "Background Checks" collection of information, Section 6.1(g) of the CAT NMS Plan requires each Participant to conduct background checks of its employees and contractors that will use the CAT System. While Section 6.1(g) may result in a duplication of requirement because other rules currently require Participants to conduct fingerprint-based background checks,⁸ the Commission believes that there will be no duplication of effort because if an employee or contractor of a Participant who will be a CAT user is already subject to a Participant's existing background check requirements, we anticipate that those requirements would satisfy the proposed

⁸ See e.g., 17 CFR 240.17f-2(a) (OMB Control Number 3235-0029); 17 CFR 240.17f-2(c) (OMB Control Number 3235-0034). Additionally, most Participants currently have rules that permit them to conduct fingerprint-based background checks of contractors. See e.g., BOX Rule 10080; CBOE Rule 15.10; ISE Rule 1408; Nasdaq Rule 0140; NYSE Rule 28; and IEX Rule 1.180.

background checks requirements of the CAT NMS Plan. Further, if such Participant believes that its employees and contractors should be subject to a more stringent or different background check requirement to be a CAT user than currently required by the Participant, then there will be no duplication of effort because the proposed background check requirements would be more rigorous or different and thus differ from the Participant's existing background check requirements.

5. Effect on Small Entities

Not applicable. The Participants—the respondents to the new collection of information requirement addressed in this supporting statement—are not small entities.⁹

6. Consequences of Not Conducting Collections

If the Commission were to not require the collections (or were to require the collections on a less frequent basis), the Commission believes that this could impact the implementation of the CAT. The Commission believes that the CAT NMS Plan would improve the completeness, accuracy, accessibility and timeliness of the data available to regulators. To ensure that the Plan is implemented in accordance with these objectives, the Commission believes the audit, assessments and reports prepared by the Participants are necessary.

The Commission has amended the Plan to require that the Participants provide the Commission, and make public, at least one month prior to submitting any rule filing to establish initial fees for CAT Reporters, an independent audit of the fees, costs, and expenses incurred by the Participants on behalf of the Company prior to the Effective Date of the Plan. The Commission understands that the Participants intend to recover through CAT fees the amounts spent on the development of the CAT to date. Without this independent audit of expenses incurred prior to the Effective Date of the Plan, it will be difficult for the public and the Commission to accurately assess the propriety of the level of initial fees imposed in the fee filings filed by the Participants.

Second, the Commission has amended the Plan to require the Participants to provide the Commission with a written assessment of the clock synchronization standards in the Plan within six months of effectiveness of the Plan. The Commission believes that the Participants should consider the type of CAT Reporter, the type of Industry Member, and type of system when determining industry standards. Without this assessment, the Commission believes that potential modifications to the clock synchronization standards that take into account the diversity of CAT Reporters, Industry Members and type of systems, which could improve the accuracy of the data, may not be realized.

⁹ The effect on small entities of the Existing Collections is addressed in the attached Existing Collections Supporting Statement. See Existing Collections Supporting Statement, at 9–10.

Third, the Commission has amended the Plan to require the Participants to provide the Commission a written report that discusses the Participants' assessment of implementing coordinated surveillance, whether through 17d-2 agreements, regulatory services agreements or another approach, within 12 months of effectiveness of the Plan. Without this assessment, the Commission believes that potential efficiencies for the Participants resulting from coordinated surveillances may be missed.

Fourth, the Commission has amended the Plan to require the Participants to submit to the Commission a written report, within 24 months of effectiveness of the Plan, discussing the feasibility, benefits, and risks of allowing an Industry Member to bulk download the Raw Data that it has submitted to the Central Repository. Commenters on the CAT NMS Plan Notice expressed a desire to have bulk access to their own data for surveillance and internal compliance purposes, as well as to facilitate the error correction process. The Commission believes it is important to consider the potential efficiencies of allowing Industry Members bulk access to their own CAT data, so long as such access does not impact the security of the CAT Data. Without this assessment, the Commission and the Participants will not have sufficient information to consider the tradeoffs of bulk access, and therefore not be able to fully consider whether to permit Industry Members bulk access to their own CAT Data.

Fifth, the Commission has amended the Plan to require the Participants to provide the Commission with a written assessment, within 36 months of effectiveness of the Plan, of the nature and extent of errors in the Customer information submitted to the Central Repository and whether the correction of certain data fields over others should be prioritized. The Commission believes that requiring such an assessment could help ensure that the accuracy of CAT Data is achieved in the most prompt and efficient manner. Without this assessment, the Commission believes that unanticipated issues concerning the accuracy of the customer information fields may go unidentified and negatively impact the overall accuracy of CAT Data.

Sixth, the Commission has amended the Plan to require the Participants to provide the Commission with a written report, 36 months after effectiveness of the Plan, on the impact of tiered fees on market liquidity, including an analysis of the impact of the tiered-fee structure on Industry Members' provision of liquidity. One commenter on the CAT NMS Plan Notice expressed concern that use of a tiered fee structure could discourage displayed quotes and, in response, the Participants explained that one of the reasons they chose to use a tiered-fee funding model was to limit disincentives to provide liquidity. To help determine whether the Plan's funding model actually achieves the Participants' stated objective, the Commission believes it appropriate to require them to prepare such an assessment of the impact of tiered fees once the CAT becomes fully operational. Without this assessment, the Participants and the Commission could lack insight into whether the fee model affects liquidity provision and market quality, which could hamper any necessary adjustments to the Funding Model.

Seventh, the Commission has amended the Plan to require the Participants to provide the Commission a written assessment of the projected impact of any Material

Systems Change on the Maximum Error Rate, prior to the implementation of any Material Systems Change. The Commission believes that Material Systems Changes either could result in new challenges for CAT Reporters or simplify the means for reporting data. In either case, the appropriateness of the Maximum Error Rate could be impacted, and thus warrant a change. Without this assessment, the Participants and the Commission may lack a thorough understanding of how a particular Material Systems Change would impact Error Rates and whether to temporarily adjust the Error Rates around that Material Systems Change.

Eighth, the Commission has amended the Plan to require that the CAT LLC's financials be (i) in compliance with GAAP, (ii) be audited by an independent public accounting firm, and (iii) be made publicly available. The Commission believes that this requirement will promote greater transparency with respect to the Company's financial accounting. Without this requirement, that purpose will not be achieved.

Finally, the Commission has amended the Plan to require that each Participant conduct background checks for its employees and contractors that will use the CAT System. The Commission believes that this requirement is appropriate to ensure that only authorized and qualified persons are using the CAT System. Without this requirement, that purpose would not be achieved.

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

The information collections "Assessment of Material Systems Changes on Error Rates" and "Background Checks" could potentially require the Participants to report and disclose information more frequently than quarterly.

In addition, the information collections: "Coordinated Surveillance Report"; "Bulk Access to Reported Data"; "Errors in Customer Information"; "Impact of Tiered Fees on Market Liquidity"; and "Assessment of Material Systems Changes on Error Rates" may require the Participants to submit confidential information to the Commission. To the extent the Commission receives confidential information pursuant to the CAT NMS Plan, such information will be kept confidential, subject to the provisions of applicable law.

8. Consultations Outside the Agency

In the CAT NMS Plan Order, the Commission solicited comment on the new "collections of information" requirement and associated paperwork burdens. The Commission did not receive any comments. A copy of the CAT NMS Plan Order (containing the proposed new collection of information requirement) is attached. Any comments received on the proposed collection of information requirements and associated paperwork burdens will be posted on the Commission's public website, and made available through <https://www.sec.gov/comments/4-698/4-698.shtml>. The Commission will consider all comments received with respect to these new information collections.

9. Payment or Gift

Not applicable. The Commission has not provided any payment or gift to the respondents.

10. Confidentiality

The Participants will not be submitting the Background Check information to the Commission and the Commission is not collecting this information; however, if the Commission receives any confidential information pursuant to the CAT NMS Plan, such information will be kept confidential, subject to the provisions of applicable law.

11. Sensitive Questions

The Participants will not be submitting the Background Check information to the Commission and the Commission is not collecting this information; however, if the Commission receives any confidential information pursuant to the CAT NMS Plan, such information will be kept confidential, subject to the provisions of applicable law.

12. Burden of Information Collection under the CAT NMS Plan by the Commission

The proposed collection of information requirement applies to the 21 Participants (the 20 national securities exchanges and the one national securities association (FINRA)) currently registered with the Commission.¹⁰

¹⁰ The Participants are: Bats BZX Exchange, Inc., Bats BYX Exchange, Inc., BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Incorporated, Chicago Stock Exchange, Inc., Bats EDGA Exchange, Inc., Bats EDGX Exchange, Inc., Financial Industry Regulatory Authority, Inc., International Securities Exchange, LLC, ISE Gemini, LLC, Miami International Securities Exchange LLC, NASDAQ BX, Inc., NASDAQ PHLX LLC, The NASDAQ Stock Market LLC, National Stock Exchange, Inc., New York Stock Exchange LLC, NYSE MKT LLC, and NYSE Arca, Inc. ISE Mercury, LLC and Investors Exchange LLC will become Participants in the CAT NMS Plan and are thus accounted for as Participants for purposes of this supporting statement analysis. Since the publication of the CAT NMS Plan Notice, the Investors Exchange LLC became a registered national securities exchange on June 17, 2016. See Securities Exchange Act Release No. 78101 (June 17, 2016), 81 FR 41142 (June 23, 2016).

A. Review of Clock Synchronization Standards

Section 6.6(a)(ii) of the CAT NMS Plan requires a written assessment of clock synchronization standards, including consideration of industry standards based on the type of CAT Reporter, Industry Member and type of system, within six months of effectiveness of the Plan.

The Commission preliminarily estimates that it would take each Participant approximately 19 initial, one-time burden hours of internal legal and information technology staff time to prepare and submit the assessment of clock synchronization standards.¹¹ The Commission believes that this burden would mostly be comprised of information technology staff time to conduct the assessment, with less time allocated to internal legal staff for review of the assessment. Therefore, the Commission preliminarily estimates that the initial, one-time burden of preparing and submitting the assessment would be 19 initial, one-time burden hours per Participant for an estimated aggregate initial, one-time burden of approximately 399 hours.¹²

The Commission preliminarily estimates that it would take the Participants approximately 133 annualized burden hours to prepare and submit the assessment of clock synchronization standards (19 initial, one-time burden hours amortized over three years) x (21 Participants).

B. Coordinated Surveillance Report

Section 6.6(a)(iii) of the CAT NMS Plan requires the Participants to submit a written report detailing the Participants' consideration of coordinated surveillance (e.g., entering into Rule 17d-2 agreements or regulatory services agreements), within 12 months of effectiveness of the Plan.

The Commission preliminarily estimates that it would take each Participant approximately 85.71 initial burden hours of internal legal, compliance, business operations, and information technology staff time to prepare and submit the report.¹³

¹¹ The Commission estimates that 19 internal burden hours = (Computer Operations Department Manager at 5 hours) + (Senior Systems Analyst at 5 hours) + (Systems Analyst at 5 hours) + (Attorney at 2 hours) + (Assistant General Counsel at 2 hours).

¹² 399 initial internal burden hours = (19 initial, one-time burden hours) x (21 Participants).

¹³ The Commission calculates the total estimated burden hours based on a similar formulation used for calculating the total estimated burden hours of Rule 613(i)'s requirement for a document addressing expansion of the CAT to other securities. The Commission assumes that the preparation of the report would be approximately one-half as burdensome as the document. See CAT NMS Plan Order, supra note 6, at 84923–84924. Because the Commission believes that the

Therefore, the Commission preliminarily estimates that the initial, one-time burden of preparing and submitting the report would be 85.71 initial, one-time burden hours per Participant, for an estimated aggregate initial, one-time burden of 1,799.91 hours.¹⁴

The Commission preliminarily estimates that it would take the Participants approximately 599.97 annualized burden hours to to submit a written report detailing the Participants' consideration of coordinated surveillance (85.71 initial, one-time burden hours amortized over three years) x (21 Participants).

C. Assessment of Industry Member Bulk Access to Reported Data

Section 6.6(a)(iv) of the CAT NMS Plan requires the Participants to provide a written report discussing the feasibility, benefits, and risks of allowing an Industry Member to bulk download the Raw Data it submitted to the Central Repository, within 24 months of effectiveness of the Plan.

The Commission preliminarily estimates that it would take each Participant approximately 15 initial, one-time burden hours of internal legal, compliance, business operations, and information technology staff time to prepare and submit the assessment.¹⁵ Therefore, the Commission preliminarily estimates that the initial one-time burden of submitting a written assessment would be 15 initial burden hours per Participant, for an estimated aggregate initial burden of approximately 315 hours.¹⁶

The Commission preliminarily estimates that it would take the Participants approximately 105 annualized burden hours to to submit a written report detailing the Participants' consideration of bulk access by Industry Members (15 initial, one-time burden hours amortized over three years) x (21 Participants).

report would be half as burdensome as the document required by Rule 613(i), the Commission believes that all of the Participants would need 1 FTE for the report. (1 FTE) x (1,800 working hours per year) = 1,800 initial, one-time burden hours per year for all of the Participants. (1,800 burden hours per year) / (21 Participants) = 85.71 initial, one-time burden hours per Participant for preparation and submission of the report.

¹⁴ 1,799.91 initial, one-time burden hours = (85.71 initial, one-time burden hours) x (21 Participants).

¹⁵ The Commission estimates that 15 internal burden hours = (Computer Operations Department Manager at 2 hours) + (Senior Database Administrator at 5 hours) + (Senior Systems Analyst at 2 hours) + (Systems Analyst at 2 hours) + (Attorney at 2 hours) + (Assistant General Counsel at 2 hours).

¹⁶ 315 initial one-time internal burden hours = (15 initial, one-time burden hours per Participant) x (21 Participants).

D. Assessment of Errors in Customer Information Fields

Section 6.6(a)(v) of the CAT NMS Plan requires the Participants to submit a written assessment of errors in the customer information submitted to the Central Repository and whether to prioritize the correction of certain data fields over others, within 36 months of effectiveness of the Plan.

The Commission preliminarily estimates that it would take each Participant approximately 24 initial, one-time burden hours of internal legal, compliance, and information technology staff time to prepare and submit the assessment of errors.¹⁷ Therefore, the Commission now preliminarily estimates that the initial, one-time burden of preparing and submitting a written assessment would be 24 initial, one-time burden hours per Participant, for an estimated aggregate initial, one-time burden of approximately 504 hours.¹⁸

The Commission preliminarily estimates that it would take the Participants approximately 168 annualized burden hours to submit the written assessment of errors in the customer information (24 initial, one-time burden hours amortized over three years) x (21 Participants).

E. Report on Impact of Tiered Fees on Market Liquidity

Section 6.6(a)(vi) of the CAT NMS Plan requires the Participants to submit a written report to study the impact of tiered-fees on market liquidity, including an analysis of the impact of the tiered-fee structure on Industry Members provision of liquidity, within 36 months of effectiveness of the Plan.

¹⁷ The Commission estimates that 24 internal burden hours = (Computer Operations Department Manager at 3 hours) + (Senior Database Administrator at 4 hours) + (Senior Systems Analyst at 2 hours) + (Systems Analyst at 2 hours) + (Compliance Attorney at 5 hours) + (Attorney at 4 hours) + (Assistant General Counsel at 4 hours). The Commission believes that the assessment of the errors in the customer information submitted to the Central Repository and the prioritization of the correction of certain data fields over others would require the time of certain information technology staff and their managers. A Database Administrator would be involved in analyzing the errors in the customer information submitted to the Central Repository and in suggesting any changes to the Central Repository, and Systems Analysts would assess the impact of any proposed changes to the Central Repository on other systems. Further, the Commission believes that the prioritization of the correction of data fields would require the input of compliance and legal staff, and that legal staff would need to review the assessment before it is submitted.

¹⁸ 504 initial, one-time burden hours = (24 initial, one-time burden hours per Participant) x (21 Participants).

The Commission preliminarily estimates that it would take each Participant approximately 21.43 initial, one-time burden hours of internal legal and business operations staff time to prepare and submit the report studying the impact of tiered fees on market liquidity.¹⁹ Therefore, the Commission now preliminarily estimates that the initial, one-time burden of preparing and submitting the report studying the impact of tiered fees on market liquidity would be 21.43 initial, one-time burden hours per Participant, for an estimated aggregate initial, one-time burden of approximately 450 hours.²⁰

The Commission preliminarily estimates that it would take the Participants approximately 150 annualized burden hours to prepare and submit the report studying the impact of tiered fees on market liquidity (21.43 initial, one-time burden hours amortized over three years) x (21 Participants).

F. Assessment of Material Systems Change on Error Rate

Section 6.6(a)(vii) of the CAT NMS Plan requires a written assessment of the projected impact of any Material Systems Change on the Maximum Error Rate, prior to the implementation of any Material Systems Change.

The Commission preliminarily estimates that the CAT may have four Material Systems Changes per year. Based on this estimate, the Commission preliminarily estimates that each Participant would incur 5.95²¹ burden hours to prepare and submit

¹⁹ The Commission calculated the total estimated burden hours based on a similar formulation used for calculating the total estimated burden hours of Rule 613(i)'s requirement for a document addressing expansion of the CAT to other securities. The Commission assumes that the preparation of the assessment would be approximately one-eighth as burdensome as the document required by Rule 613(i). To estimate the Rule 613(i) burden, the Commission applied the internal burden estimate provided in the CAT NMS Plan for Plan development over a 6-month period, and divided the result in half. See CAT NMS Plan, *supra* note 4, at Appendix C, Section B.7(b)(iii). 0.667 FTEs required for all Participants per month to develop the CAT NMS Plan = (20 FTEs / 30 months). 0.667 FTEs x 6 months = 4 FTEs. 4 FTEs / 2 = 2 FTEs needed for all of the Participants to create and submit the Rule 613(i) document. (2 FTEs) x (1/8) = 0.25 FTE to prepare and submit the report studying the impact of tiered fees on market liquidity. (0.25 FTE x 1,800 working hours per year) = 450 initial, one-time burden hours for all of the Participants to review and comment on the written assessment. (450 burden hours / 21 Participants) = 21.43 initial, one-time burden hours per Participant to prepare and submit the report.

²⁰ 450 initial, one-time burden hours = (21.43 initial, one-time burden hours) x (21 Participants).

²¹ This estimate is based on the quarterly material system change reports required under Rule 1003(a)(1) of Regulation SCI. The Commission estimated that each

each assessment, or 23.8 annual burden hours per year,²² for an aggregate, ongoing estimate of 125 burden hours per report,²³ or an aggregate ongoing estimate of 500 burden hours per year.²⁴

The Commission preliminarily estimates that it would take the Participants approximately 500 annualized burden hours to prepare and submit each assessment (23.8 annual burden hours per year) x (21 Participants).

G. Background Checks

Section 6.1(g) of the CAT NMS Plan requires each Participant to conduct background checks of its employees and contractors that will use the CAT System. The Commission preliminarily estimates that this requirement will impact approximately 1,500 users.²⁵ The Commission preliminarily estimates that each Participant would need to have background checks of approximately 71 users.²⁶ For its estimates, the Commission is assuming that these would be background checks using fingerprints submitted to the Attorney General of the United States for identification and processing.²⁷ The Commission preliminarily estimates that it would take approximately 15 minutes²⁸ to create and submit each fingerprint card.²⁹ The total reporting burden per Participant is

SCI entity would incur a burden of 125 hours to comply with the quarterly report on material changes to SCI systems required under Rule 1003(a)(1) (7.5 hours by an Attorney, 7.5 hours by a Compliance Manager, 5 hours by a Chief Compliance Officer, 30 hours by a Senior Business Analyst, and 75 hours by a Senior Systems Analyst). See Regulation Systems Compliance and Integrity, Securities Exchange Act Release No. 73639 (December 5, 2014), 79 FR 72251, at 72390, n.1656. Because the CAT is an SCI System of the Participants, the Commission is assuming for its estimates that each Participant would incur an equal portion of the 125 burden hours per report.

²² The Commission estimates that there would be four Material System Changes per year. (5.95 burden hours per report) x (4 reports per year) = 23.8 annual burden hours per year.

²³ (5.95 burden hours per report) x 21 Participants = 125 burden hours per report.

²⁴ (125 burden hours) x (4 reports per year) = 500 annual burden hours.

²⁵ This number is based on conversations with Participants.

²⁶ 71.42 users per Participant = (1,500 users) / (21 Participants).

²⁷ The Commission is basing this assumption on the requirements of Section 17(f)(2). 15 U.S.C. 78q(f)(2).

²⁸ This is based on the per respondent burden in Extension of Rule 17f-2, SEC File No. 270-35, OMB Control No. 3235-0029, 79 FR 42563 (July 22, 2014).

²⁹ The Commission is assuming that this would be a burden of 15 minutes for a Compliance Manager per fingerprint card.

therefore preliminarily estimated to be 17.75 initial, one-time burden hours,³⁰ for an aggregate, initial burden of 374.01 hours.³¹

The Commission preliminarily estimates that the ongoing internal burden hours for each Participant would be approximately 4.26 annual burden hours,³² for an aggregate annual burden hour amount of 89.51 burden hours.³³

The Commission preliminarily estimates that it would take the Participants approximately 213.71 annualized burden hours to conduct a background check [((17.75 initial, one-time burden hours amortized over three years) + (4.26 annual burden hours)) x (21 Participants)].

The following chart provides a summary of the burden hours for above new collections together with the Existing Collections approved on March 9, 2017.

³⁰ 17.81 burden hours = (Compliance Manager at 15 minutes) x (71.42 users).

³¹ 374.01 = (17.75 initial one-time burden hours) x (21 Participants).

³² The Commission assumes that the finance industry has a rate of 23.87% turnover per year, based on a monthly rate for both employment separations and hires of 1.8% for the finance and insurance industry in September 2016. See <http://www.bls.gov/news.release/pdf/jolts.pdf> (news release from the Bureau of Labor Statistics, dated November 8, 2016). The Commission preliminarily estimates that the Participants will have to annually conduct background checks of 23.87% of the 1,500 users, or 358.05 users per year. (358.05 users) / (21 Participants) = 17.05 users that will need to be subject to background checks on an annual basis. Based on this estimate, the Commission estimates that each Participant would incur a burden of 4.26 ongoing annual burden hours = (Compliance Manager at 15 minutes) x (17.05 users).

³³ 89.51 annual ongoing burden hours = (4.26 ongoing annual burden hours per Participant) x (21 Participants).

Summary of Hourly Burdens										
Name of Information Collection	Type of Burden	[A.] Number of Entities Impacted	[B.] Annual Responses per Entity	[C.] Initial Burden per Entity per Response	[D.] Initial Burden Annualized per Entity per Response [= C ÷ 3 years]	[E.] Ongoing Burden per Entity per Response	[F.] Annual Burden Per Entity per Response [= D + E]	[G.] Total Annual Burden Per Entity [= (D + E) * B]	[H.] Total Industry Burden [= G * A]	Small Business Entities Affected
Review of Clock Synchronization Standards	Reporting	21	1	19	6.33	0	6.33	6.33	132.93	0
Coordinated Surveillance Report	Reporting	21	1	85.71	28.57	0	28.57	28.57	599.97	0
Assessment of Industry Member Bulk Access to Reporter Data	Reporting	21	1	15	5	0	5	5	105	0
Assessment of Errors in Customer Information Fields	Reporting	21	1	24	8	0	8	8	168	0
Report on Impact of Tiered Fees on Market Liquidity	Reporting	21	1	21.43	7.14	0	7.14	7.14	149.94	0
Assessment of Material Systems Change on Error Rate	Reporting	21	4	0	0	5.95	5.95	23.8	499.8	0.00
Background Checks	Disclosure	21	1	17.75	5.92	4.26	10.18	10.18	213.78	0.00
Central Repository	Recordkeeping	21	1	686.05	228.68	686.05	914.73	914.73	19,209.4	0.00
Data Collection and Reporting (Participants)	Third Party Disclosure	21	1	2,080.8	693.6	1,474.2	2,167.8	2,167.8	45,523.8	0.00
Data Collection and Reporting (Large, Non-OATS Reporting Broker-Dealers) - ELPs	Third Party Disclosure	14	1	14,490.00	4,830.00	13,338.00	18,168.00	18,168.00	254,352.00	0.00
Data Collection and Reporting (Large, Non-OATS Reporting Broker-Dealers) – Options Market Makers	Third Party Disclosure	31	1	14,490.00	4,830.00	13,338.00	18,168.00	18,168.00	563,208.00	0.00
Data Collection and Reporting (Large OATS Reporting Broker-Dealers)	Third Party Disclosure	126	1	26,856.00	8,952.00	18,054.00	27,006.00	27,006.00	3,402,756.00	0.00
Data Collection and Reporting (Small OATS Reporting Broker-Dealers)	Third Party Disclosure	806	1	1,800.00	600.00	1,350.00	1,950.00	1,950.00	1,571,700.00	Estimated 395 ³⁴
Data Collection and Reporting (Non-OATS Reporting Broker-Dealers)	Third Party Disclosure	823	1	3,600.00	1,200.00	1,350.00	2,550.00	2,550.00	2,098,650.00	Estimated 823 ³⁵
Surveillance	Recordkeeping	21	1	3,535.2	1,178.4	13,473	14,651.4	14,651.4	307,679.4	0.00

34 See Existing Collections Supporting Statement, at 49, n.240.

35 Id.

Name of Information Collection	Type of Burden	[A.] Number of Entities Impacted	[B.] Annual Responses per Entity	[C.] Initial Burden per Entity per Response	[D.] Initial Burden Annualized per Entity per Response [= C ÷ 3 years]	[E.] Ongoing Burden per Entity per Response	[F.] Annual Burden Per Entity per Response [= D + E]	[G.] Total Annual Burden Per Entity [= (D + E) * B]	[H.] Total Industry Burden [= G * A]	Small Business Entities Affected
Written Assessment of Operation of CAT	Reporting	21	1	0.00	0.00	171.43	171.43	171.43	3,600.03	0.00
Document on Expansion to Other Securities	Reporting	21	1	171.43	57.14	0.00	57.14	57.14	1,199.94	0.00
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									8,269,747.99	

13. Costs to Respondents

A. Independent Audit of Expenses Incurred Prior to the Effective Date

Section 6.6(a)(i) of the CAT NMS Plan requires the Participants to provide to the Commission an independent one-time audit of fees, costs and expenses incurred by the Participants on behalf of the Company, prior to the Effective Date, in connection with the creation and implementation of the CAT, at least one month prior to submitting any rule filing to establish initial fees to the Commission.

The Commission preliminarily estimates that each Participant would incur an initial, one-time external cost of the audit of \$238.09.³⁶ The Commission preliminarily estimates that the aggregate initial, one-time external cost of the audit is \$5,000.³⁷

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$1,666.56 to provide to the Commission the independent audit of fees, costs and expenses incurred by the Participants on behalf of the Company, prior to the Effective Date, in connection with the creation and implementation of the CAT (\$238.09 in initial external costs amortized over three years) x (21 Participants).

³⁶ The Commission estimates that the cost of the audit would be an aggregate, external cost of \$5,000. The CAT NMS Plan Order states that to arrive at this estimate, the Commission relied on an industry source for the costs of an audit per dollar of revenue, and assumed that the audit cost per unit of revenue would be comparable to the audit cost per unit of development costs, which were approximately \$8.8 million. The Commission used an industry estimate of \$479 in audit costs per \$1 million in revenue. $(\$8,800,000 / \$1,000,000) = \$8.80$ per \$1 million in revenue. $(\$8.80) \times (\$479 \text{ in audit costs}) = \$4,215$ for the audit. In the CAT NMS Plan Order, the Commission rounded this amount up to \$5,000. See CAT NMS Plan Order, supra note 6, at 84856, n.2494. $\$5,000 / 21 \text{ Participants} = \238.09 per Participant for the independent audit.

³⁷ Id.

B. Review of Clock Synchronization Standards

Section 6.6(a)(ii) of the CAT NMS Plan requires a written assessment of clock synchronization standards, including consideration of industry standards based on the type of CAT Reporter, Industry Member and type of system, within six months of effectiveness of the Plan.

The Commission preliminarily estimates that each Participant would outsource 0.5 hours of legal time to assist in the review of the assessment, for an initial, one-time external cost of approximately \$200.³⁸ Therefore, the Commission preliminarily estimates that the initial, one-time cost of preparing and submitting the assessment would be \$200 of external costs for outsourced legal counsel per Participant, for an estimated aggregate initial, one-time external cost of \$4,200.³⁹

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$1,400.00 to provide to the Commission written assessment of clock synchronization standards (\$200.00 in initial external costs amortized over three years) x (21 Participants).

C. Coordinated Surveillance Report

Section 6.6(a)(iii) of the CAT NMS Plan requires the Participants to submit a written report detailing the Participants consideration of coordinated surveillance (*e.g.*, entering into Rule 17d-2 agreements or regulatory services agreements), within 12 months of effectiveness of the Plan.

The Commission preliminarily estimates that on average, each Participant would outsource 2.5 hours of legal time to assist in the drafting and review of the report, for an initial, one-time external cost of approximately \$1,000.⁴⁰ Therefore, the Commission

³⁸ \$200 = (\$400 per hour rate for outside legal services) x (0.5 hours). The Commission based this estimate on the assumption that the assessment would require approximately one-fifth the effort of review by outside counsel as the document required by Rule 613(i) regarding the expansion of the CAT to other securities because the Commission believes the assessment is not as comprehensive as the expansion document since it is limited to clock synchronization standards. See CAT NMS Plan Order, supra note 6, at 84923–24.

³⁹ \$4,200 = (21 Participants) x (\$400 per hour rate for outside legal services) x (0.5 hours).

⁴⁰ \$1,000 = (\$400 per hour rate for outside legal services) x (2.5 hours). The Commission based this estimate on the assumption that the report would require approximately one-tenth the effort of drafting by outside counsel as the document required by Rule 613(i) regarding the expansion of the CAT to other securities. See CAT NMS Plan Order, supra note 6, at 84923–24.

preliminarily estimates that each Participant would incur an initial, one-time external cost of \$1,000 for outsourced legal counsel, for an estimated aggregate initial, one-time external cost of \$21,000.⁴¹

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$6,999.93 to provide to the Commission a coordinated surveillance report, prior to the Effective Date, in connection with the creation and implementation of the CAT (\$1,000 in initial external costs amortized over three years) x (21 Participants).

D. Assessment of Industry Member Bulk Access to Reported Data

Section 6.6(a)(iv) of the CAT NMS Plan requires the Participants to provide a written report discussing the feasibility, benefits, and risks of allowing an Industry Member to bulk download the Raw Data it submitted to the Central Repository, within 24 months of effectiveness of the Plan.

The Commission preliminarily estimates that on average, each Participant would outsource five hours of legal time to assist in the preparation and review of the assessment, for an initial, one-time external cost of approximately \$2,000.⁴² Therefore, the Commission preliminarily estimates that each Participant would incur an initial one-time external cost of \$2,000 for outsourced legal counsel per Participant, for an estimated aggregate initial external cost of \$42,000.⁴³

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$14,000.07 to submit the written report (\$2,000 in initial external costs amortized over three years) x (21 Participants).

E. Assessment of Errors in Customer Information Fields

Section 6.6(a)(v) of the CAT NMS Plan requires the Participants to submit a written assessment of errors in the customer information submitted to the Central

⁴¹ \$21,000 = (21 Participants) x (\$400 per hour rate for outside legal services) x (2.5 hours).

⁴² \$2,000 = (\$400 per hour rate for outside legal services) x (5 hours). The Commission is basing this estimate on the assumption that the assessment would require approximately twice the effort of drafting by outside counsel as the document required by Rule 613(i) regarding the expansion of the CAT to other securities. The Commission attributes this difference to ensuring that any potential security issues regarding industry bulk access of data are sufficiently reviewed and addressed. See CAT NMS Plan Order, *supra* note 6, at 84923–24.

⁴³ \$42,000 = (21 Participants) x (\$400 per hour rate for outside legal services) x (5 hours).

Repository and whether to prioritize the correction of certain data fields over others, within 36 months of effectiveness of the Plan.

The Commission preliminarily estimates that on average, each Participant would outsource 1.25 hours of legal time to assist in the review of the assessment, for an initial, one-time external cost of approximately \$500.⁴⁴ Therefore, the Commission now preliminarily estimates that each Participant would incur \$500 of initial, one-time external costs for outsourced legal counsel per Participant, for an estimated aggregate initial, one-time external cost of \$10,500.⁴⁵

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$3,500.07 to submit the written assessment of errors in the customer information provide to the Commission (\$500 in initial external costs amortized over three years) x (21 Participants).

F. Report on Impact of Tiered Fees on Market Liquidity

Section 6.6(a)(vi) of the CAT NMS Plan requires the Participants to submit a written report to study the impact of tiered-fees on market liquidity, including an analysis of the impact of the tiered-fee structure on Industry Members provision of liquidity, within 36 months of effectiveness of the Plan.

The Commission preliminarily estimates that on average, each Participant would outsource 0.5 hours of legal time to assist in drafting the report, for an initial, one-time external cost of approximately \$200.⁴⁶ Therefore, the Commission now preliminarily estimates that each Participant would incur \$200 of initial, one-time external costs for

⁴⁴ The Commission calculated the total estimated external cost based on the revised burden hour estimate for the written assessment of the operation of the CAT. See CAT NMS Plan Order, supra note 6, at 84925. The Commission assumes that the preparation and submission of the error assessment would cost approximately half as much as the revised written assessment. The revised written assessment estimate provides that each Participant would outsource 2.5 hours of legal time to assist in the review of the assessment, for an external cost of approximately \$1,000. The Commission estimates that each Participant would outsource approximately 1.25 hours of legal time, for an initial, one-time external cost of \$500 (1.25 hours x \$400 per hour rate for outside legal services) to assist in drafting the error assessment.

⁴⁵ $\$10,500 = (21 \text{ Participants}) \times (\$400 \text{ per hour rate for outside legal services}) \times (1.25 \text{ hours})$.

⁴⁶ $\$200 = (\$400 \text{ per hour rate for outside legal services}) \times (0.5 \text{ hours})$.

outsourced legal counsel per Participant, for an estimated aggregate initial, one-time external cost of \$4,200.⁴⁷

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$1,400.07 to provide to the Commission the written report to study the impact of tiered-fees on market liquidity (\$200 in initial external costs amortized over three years) x (21 Participants).

G. Financial Statements

Section 9.2 of the CAT NMS Plan now requires that the CAT LLC financials be (i) in compliance with GAAP, (ii) be audited by an independent public accounting firm, and (iii) be made publicly available. The Commission preliminarily estimates that each Participant would incur an annual external cost of \$3,095.24⁴⁸ associated with this requirement, for an aggregate annual, ongoing external cost of \$65,000 to the Participants.⁴⁹

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$65,000 to have the CAT LLC

⁴⁷ \$4,200 = (21 Participants) x (\$400 per hour rate for outside legal services) x (0.5 hours).

⁴⁸ In the CAT NMS Plan Order, the Commission estimated that the aggregate cost of this requirement for the Participants is \$65,000. To estimate this number, the Commission drew from a recent Commission adopting release and an industry report. Specifically, the Commission's Crowdfunding Adopting Release estimated that the audit costs for affected issuers would be \$2,500 to \$30,000. See Securities Act Release No. 9974 (October 30, 2015), 80 FR 71499 (November 16, 2015). The Commission believes this estimate could be reasonable if the Company's financials are of the same level of complexity as the larger issuers affected by the Crowdfunding rule, which is realistic because the Company is not publicly traded, is organized as a "business league", and has a limited and predictable revenue stream. As an alternative estimate, the Commission estimated an audit cost of approximately \$65,000 using an industry estimate of \$479 in audit costs per \$1 million in revenue, using the assumption that Company revenue will just offset expected costs of \$139 million. See Audit Analytics report "Audit Fees and Non-Audit Fees: A Twelve Year Trend," October 9, 2014, available at <http://www.auditanalytics.com/blog/audit-fees-and-non-audit-fees-a-twelve-year-trend/>. $\$479 \times \$139 = \$64,665 \sim \$65,000$. The Commission incorporates the higher estimate from the two methodologies (\$65,000) into its cost estimates. See CAT NMS Plan Order, supra note 6, at 84856, n.2503. $(\$65,000 \text{ annual, external cost}) / (21 \text{ Participants}) = \$3,095.24 \text{ per Participant}$.

⁴⁹ Id.

financials be (i) in compliance with GAAP, (ii) be audited by an independent public accounting firm, and (iii) be made publicly available (\$3,095.24 in annual, ongoing external costs) x (21 Participants).

H. Background Checks

Section 6.1(g) of the CAT NMS Plan requires each Participant to conduct background checks of its employees and contractors that will use the CAT System. The Commission preliminarily estimates that this requirement will impact approximately 1,500 users.⁵⁰ The Commission preliminarily estimates that each Participant would need to have background checks of approximately 71 users.⁵¹ For its estimates, the Commission is assuming that these would be background checks using fingerprints submitted to the Attorney General of the United States for identification and processing.⁵² The Commission preliminarily estimates that the total initial external cost per Participant would be \$2,603.04,⁵³ for an aggregate, initial external cost of \$54,987.45.⁵⁴

The Commission preliminarily estimates that the ongoing external cost to be incurred by each Participant would be approximately \$625.07,⁵⁵ for an aggregate annual external cost of \$13,126.37.⁵⁶

⁵⁰ This number is based on conversations with Participants.

⁵¹ 71.42 users per Participant = (1,500 users) / (21 Participants).

⁵² The Commission is basing this assumption on the requirements of Section 17(f)(2). 15 U.S.C. 78q(f)(2).

⁵³ 71.42 x 45% hard copy fingerprinting = 32.14 users. 71 x 55% electronic fingerprinting = 39.28 users. (32.14 hard copy fingerprinting users) x (\$44.50 per hard copy fingerprint) = \$1,430.23 for hard copy fingerprinting users per Participant. (39.28 electronic fingerprinting users) x (\$30.25 per electronic fingerprint) = \$1,188.22 for electronic fingerprint users per Participant. \$1,430.23 + \$1,188.22 = \$2,618.45 per Participant in initial external costs for fingerprinting.

⁵⁴ \$54,987.45 = (\$2,618.45 per Participant) x (21 Participants).

⁵⁵ See supra note 32. Based on the Commission's estimate that 17.05 users will need to be subject to background checks annually, the Commission estimates that 45% of the 17.05 users would submit hard copy fingerprints and 55% of the 17.05 users would submit electronic fingerprints to conduct their background checks. 45% of 17.05 = 7.67 users that would submit hard copy fingerprints. 55% of 17.05 = 9.38 users that would submit electronic fingerprints. (7.67 hard copy fingerprinting users) x (\$44.50 per hard copy fingerprint) = \$341.32 for hard copy fingerprinting users per Participant. (9.38 electronic fingerprinting users) x (\$30.25 per electronic fingerprint) = \$283.75 for electronic fingerprint users per Participant. \$341.32 + \$283.75 = \$625.07 per Participant in initial external costs for fingerprinting.

The Commission preliminarily estimates that the Participants would incur an aggregate, annualized external cost of approximately \$31,347.75 to conduct background checks of its employees and contractors that will use the CAT System (\$2,603.04 in initial external costs amortized over three years) + (\$625.07 in annual, ongoing external costs) x (21 Participants).

The following chart provides a summary of the cost for the above new collections together with the Existing Collections approved on March 9, 2017.

Summary of Dollar Costs										
Name of Information Collection	Type of Burden	[A.] Number of Entities Impacted	[B.] Annual Responses per Entity	[C.] Initial Cost per Entity per Response	[D.] Initial Cost Annualized per Entity per Response [= C ÷ 3 years]	[E.] Ongoing Cost per Entity per Response	[F.] Annual Cost Per Entity per Response [= D + E]	[G.] Total Annual Cost Per Entity [= (D + E) * B]	[H.] Total Industry Cost [= G * A]	Small Business Entities Affected
Independent Audit of Expenses Incurred Prior to the Effective Date	Disclosure	21	1	\$238.09	\$79.36	\$0	\$79.36	\$79.36	\$1,666.56	0
Review of Clock Synchronization Standards	Reporting	21	1	\$200	\$66.67	\$0	\$66.67	\$66.67	\$1,400.07	0
Coordinated Surveillance Report	Reporting	21	1	\$1,000	\$333.33	\$0	\$333.33	\$333.33	\$6,999.93	0
Assessment of Industry Member Bulk Access to Reporter Data	Reporting	21	1	\$2,000	\$666.67	\$0	\$666.67	\$666.67	\$14,000.07	0
Assessment of Errors in Customer Information Fields	Reporting	21	1	\$500	\$166.67	\$0	\$166.67	\$166.67	\$3,500.07	0
Report on Impact of Tiered Fees on Market Liquidity	Reporting	21	1	\$200	\$66.67	\$0	\$66.67	\$66.67	\$1,400.07	0
Financial Statements	Disclosure	21	1	0	0	\$3,095.24	\$3,095.24	\$3,095.24	\$65,000.04	0
Background Checks	Disclosure	21	1	\$2,603.04	\$867.68	\$625.07	\$1,492.75	\$1,492.75	\$31,347.75	0
Central Repository	Recordkeeping	21	1	\$3,209,523.8	\$1,069,841.27	\$2,657,142.86	\$3,726,984.13	\$3,726,984.13	\$78,266,666.73	0
Data Collection and Reporting (Participants)	Third Party Disclosure	21	1	\$361,904.76	\$120,634.92	\$352,380.95	\$473,015.87	\$473,015.87	\$9,933,333.27	0

56 (\$625.07 per Participant in annual, ongoing external costs) x (21 Participants) = \$13,126.37 to conduct a fingerprint-based background check of the users.

Name of Information Collection	Type of Burden	[A.] Number of Entities Impacted	[B.] Annual Responses per Entity	[C.] Initial Cost per Entity per Response	[D.] Initial Cost Annualized per Entity per Response [= C ÷ 3 years]	[E.] Ongoing Cost per Entity per Response	[F.] Annual Cost Per Entity per Response [= D + E]	[G.] Total Annual Cost Per Entity [= (D + E) * B]	[H.] Total Industry Cost [= G * A]	Small Business Entities Affected
Data Collection and Reporting (Large, Non-OATS Reporting Broker-Dealers - ELPs)	Third Party Disclosure	14	1	\$709,500	\$236,500	\$110,466.68	\$346,966.68	\$346,966.68	\$4,857,533.52	0
Data Collection and Reporting (Large, Non-OATS Reporting Broker-dealers – Options Market Makers)	Third Party Disclosure	31	1	\$1,270,790.32	\$423,596.77	\$493,722.48	\$917,319.25	\$917,319.25	\$28,436,896.75	0
Data Collection and Reporting (Large OATS Reporting Broker-Dealers)	Third Party Disclosure	126	1	\$1,250,000	\$416,666.67	\$529,166.67	\$945,833.34	\$945,833.34	\$119,175,000.84	0
Data Collection and Reporting (Small OATS Reporting Broker-Dealers)	Third Party Disclosure	806	1	\$125,171.04	\$41,723.68	\$124,439.50	\$166,163.18	\$166,163.18	\$133,927,523.08	Estimated 395 ⁵⁷
Data Collection and Reporting (Non-OATS Reporting Broker-Dealers)	Third Party Disclosure	823	1	\$125,171.04	\$41,723.68	\$124,439.50	\$166,163.18	\$166,163.18	\$136,752,297.14	Estimated 823 ⁵⁸
Surveillance	Recordkeeping	21	1	\$271,428.57	\$90,476.19	\$1,000,000.00	\$1,090,476.19	\$1,090,476.19	\$22,899,999.99	0
Written Assessment of Operation of CAT	Reporting	21	1			\$1,000.00	\$1,000.00	\$1,000.00	\$21,000.00	0
Document on Expansion to Other Securities	Reporting	21	1	\$10,000.00	\$3,333.33		\$3,333.33	\$3,333.33	\$69,999.93	0
TOTAL COST FOR ALL RESPONDENTS									\$534,465,565.81	

14. Costs to Federal Government

Not applicable.

15. Changes in Burden

Changes in burden have occurred because the Commission added, as detailed above, new information collections of audits, reports, and assessments of various aspects of the CAT NMS Plan, which are necessary to achieving the CAT NMS Plan’s objective of improving the quality of the data available to regulators in four areas that affect the ultimate effectiveness of core regulatory efforts—completeness, accuracy, accessibility and timeliness, and background checks necessary to ensure that only authorized and qualified persons are using the CAT System.

16. Information Collection Planned for Statistical Purposes

⁵⁷ See supra note 34.

⁵⁸ Id.

Not applicable.

17. Display of OMB Approval Date

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

18. Exceptions to Certification

This collection complies with the requirements in 5 CFR 1320.9.

B. Collections of Information Employing Statistical Methods

This information collection does not involve statistical methods.