

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Regulation SCI

3235-0703
Proposed Revision

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

A. JUSTIFICATION

1. Information Collection Necessity

Section 11A(a)(2) of the Securities Exchange Act of 1934 (“Exchange Act”),¹ enacted as part of the Securities Acts Amendments of 1975 (“1975 Amendments”),² directs the Commission, having due regard for the public interest, the protection of investors, and the maintenance of fair and orderly markets, to use its authority under the Exchange Act to facilitate the establishment of a national market system for securities in accordance with the Congressional findings and objectives set forth in Section 11A(a)(1) of the Exchange Act.³ Among the findings and objectives in Section 11A(a)(1) is that “[n]ew data processing and communications techniques create the opportunity for more efficient and effective market operations”⁴ and “[i]t is in the public interest and appropriate for the protection of investors and the maintenance of fair and orderly markets to assure...the economically efficient execution of securities transactions.”⁵ In addition, Sections 6(b), 15A, and 17A(b)(3) of the Exchange Act impose obligations on national securities exchanges, national securities associations, and clearing agencies, respectively, to be “so organized” and “[have] the capacity to...carry out the purposes of [the Exchange Act].”⁶

The U.S. securities markets have been transformed by regulatory and related technological developments in recent years. They have, among other things, substantially enhanced the speed, capacity, efficiency, and sophistication of the trading functions that are available to market participants. At the same time, these technological advances generated an increasing risk of operational problems with automated systems, including failures, disruptions,

¹ 15 U.S.C. 78k-1(a)(2).

² Pub. L. 94-29, 89 Stat. 97 (1975).

³ 15 U.S.C. 78k-1(a)(1).

⁴ 15 U.S.C. 78k-1(a)(1)(B).

⁵ 15 U.S.C. 78k-1(a)(1)(C)(i).

⁶ See 15 U.S.C. 78f(b)(1), 78o-3(b)(2), 78q-1(b)(3), respectively. See also 15 U.S.C. 78b, and 15 U.S.C. 78s.

delays, and intrusions. Given the speed and interconnected nature of the U.S. securities markets, a seemingly minor systems problem at a single entity could quickly create losses and liability for market participants, and spread rapidly across the national market system, potentially creating widespread damage and harm to market participants, including investors.

In November 2014, the Commission adopted Regulation Systems Compliance and Integrity (“Regulation SCI”)⁷ to require certain key market participants to, among other things: (1) have comprehensive policies and procedures in place to help ensure the robustness and resiliency of their technological systems, and also that their technological systems operate in compliance with the federal securities laws and with their own rules; and (2) provide certain notices and reports to the Commission to improve Commission oversight of securities market infrastructure. Prior to the adoption of Regulation SCI, Commission oversight of the technology of the U.S. securities markets was conducted primarily pursuant to a voluntary set of principles articulated in the Commission’s ARP Policy Statements, applied through the Commission’s Automation Review Policy inspection program (“ARP Inspection Program”). Regulation SCI was adopted to update, formalize, and expand the Commission’s ARP Inspection Program, and, with respect to SCI entities, to supersede and replace the Commission’s ARP Policy Statements, as well as certain rules regarding systems capacity, integrity, and security in Rule 301(b)(6) of Regulation ATS that relate to ATSs that trade NMS and non-NMS stocks.⁸

A confluence of factors contributed to the Commission’s adoption of Regulation SCI and to the Commission’s determination that it was necessary and appropriate to address the technological vulnerabilities, and improve Commission oversight, of the core technology of key U.S. securities markets entities, including national securities exchanges and associations, significant alternative trading systems, clearing agencies, and plan processors. These considerations included: the evolution of the markets to become significantly more dependent upon sophisticated, complex, and interconnected technology; the successes and limitations of the ARP Inspection Program; a significant number of, and lessons learned from, systems issues at exchanges and other trading venues; increased concerns over “single points of failure” in the securities markets; and the views of a wide variety of commenters received in response to the proposing release for Regulation SCI.⁹

The Commission acknowledged that the nature of technology and the level of sophistication and automation of current market systems prevent any measure, regulatory or otherwise, from completely eliminating all systems disruptions, intrusions, or other systems issues. However, the Commission believed that the adoption of, and compliance by SCI entities with Regulation SCI would advance the goals of the national market system by enhancing the capacity, integrity, resiliency, availability, and security of the automated systems of entities

⁷ Securities and Exchange Act Release No. 34-73639 (November 19, 2014), 79 FR 72251 (December 5, 2014).

⁸ See 17 CFR 242.301(b)(6)(i)(A) and 17 CFR 242.301(b)(6)(i)(B).

⁹ Securities Exchange Act Release No. 69077 (March 8, 2013), 78 FR 18083 (March 25, 2013) (“SCI Proposal”).

important to the functioning of the U.S. securities markets, as well as reinforce the requirement that such systems operate in compliance with the Exchange Act and rules and regulations thereunder, thus strengthening the infrastructure of the U.S. securities markets and improving its resilience when technological issues arise. In this respect, Regulation SCI established an updated and formalized regulatory framework, thereby helping to ensure more effective Commission oversight of such systems.

As adopted, Rule 1001(a) requires each SCI entity to establish, maintain, and enforce written policies and procedures for systems capacity, integrity, resiliency, availability, and security. Rule 1001(b) requires each SCI entity to establish, maintain, and enforce written policies and procedures to ensure that its SCI systems operate in a manner that complies with the Exchange Act, the rules and regulations thereunder, and the SCI entity's rules and governing documents, as applicable. Rule 1001(c) requires each SCI entity to establish, maintain, and enforce written policies and procedures for the identification, designation, and documentation of responsible SCI personnel and escalation procedures. Rule 1002(a) requires each SCI entity to begin to take appropriate corrective action upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred. Rule 1002(b) requires each SCI entity to notify the Commission of certain SCI events. Rule 1002(c) requires each SCI entity, with certain exceptions, to disseminate information about SCI events to affected members or participants, and disseminate information about major SCI events to all members or participants. Rule 1003(a) requires each SCI entity to notify the Commission of material systems changes quarterly. Rule 1003(b) requires each SCI entity to conduct annual SCI reviews. Rule 1004 requires each SCI entity to designate certain members or participants for participation in functional and performance testing of the SCI entity's business continuity and disaster recovery ("BC/DR") plans, and to coordinate such testing with other SCI entities. Rules 1005 and 1007 set forth recordkeeping requirements for SCI entities. Rule 1006 requires, with certain exceptions, that each SCI entity electronically file required notifications, reviews, descriptions, analysis, or reports to the Commission on Form SCI.

The Commission estimates that there are currently 42 entities that meet the definition of SCI entity and are subject to the collection of information requirements of Regulation SCI. Of these 42 respondents, 32 would meet the definition of SCI SRO, 5 would meet the definition of SCI ATS, 2 would meet the definition of plan processor, and 3 would meet the definition of exempt clearing agency subject to ARP. The Commission estimates that approximately 2 entities will become SCI entities each year, one of which will be an SRO. Accordingly, over the next three years, the Commission estimates that there will be an average of approximately 44 SCI entities each year.

2020 Proposed Revision to the Information Collection

In February 2020, the Commission proposed to update the national market system for the collection, consolidation, and dissemination of information with respect to quotations for and transactions in national market system ("NMS") stocks ("Infrastructure Proposal" or

“Proposal”).¹⁰ Specifically, the Proposal would expand the content of the information with respect to quotations for and transactions in NMS stocks that must be made available under Regulation NMS and introduce a decentralized consolidation model whereby “competing consolidators” would assume responsibility for the collection, consolidation, and dissemination functions currently performed by the exclusive Securities Information Processors (“SIPs”). Among other things, the Proposal would expand the definition of “SCI entity” to include competing consolidators, so that all competing consolidators would be subject to Regulation SCI.

As stated in the Infrastructure Proposal, the Commission estimates that, if adopted, there would be 12 competing consolidators who would be SCI entities. Of the 12 competing consolidators, the Commission estimates that two would be the existing SIPs, which are currently subject to Regulation SCI as plan processors. As such, the Commission believes that these entities would have no material new initial burdens and that ongoing burden estimates discussed below for other existing SCI entities would be applicable to these entities. The Commission believes that four of the remaining 10 entities may be either an SRO currently subject to Regulation SCI or an entity affiliated with an SCI SRO formerly subject to Regulation SCI. The Commission believes that these four entities, in their new role as competing consolidators, would have 50 percent of the estimated initial burdens of other new SCI entities as discussed below, and the same estimated ongoing burdens for all SCI entities. Of the remaining six competing consolidators, the Commission believes that they would have the same estimated initial burdens as other new SCI entities and the same estimated ongoing burdens as all other SCI entities.

2. Information Collection Purpose and Use

a. Policies and Procedures Required by Rule 1001

Rule 1001(a) helps to advance the goal of improving Commission review and oversight of U.S. securities market infrastructure by requiring an SCI entity’s policies and procedures to be reasonably designed to ensure its own operational capability, including the ability to maintain effective operations, minimize or eliminate the effect of performance degradations, and have sufficient backup and recovery capabilities. Because an SCI entity’s own operational capability can have the potential to impact investors, the overall market, or the trading of individual securities, the Commission believes that these policies and procedures will help promote the maintenance of fair and orderly markets. Rule 1001(b) helps to prevent the occurrence of systems compliance issues, and helps SCI entities to achieve operational compliance with the Exchange Act, the rules and regulations thereunder, and their governing documents. Rule 1001(c) helps make it clear to all employees of the SCI entity who the designated responsible SCI personnel are for purposes of the escalation procedures and so that Commission staff can easily identify such responsible SCI personnel in the course of its inspections and examinations and other interactions with SCI entities. The Commission also believes that escalation

¹⁰ See Securities Exchange Act Release No. 34-88216 (February 14, 2020), 85 FR 16726 (March 24, 2020) (File No. S7-03-20) (“Proposing Release”).

procedures to quickly inform responsible SCI personnel of potential SCI events helps ensure that the appropriate person(s) are provided notice of potential SCI events so that any appropriate actions can be taken in accordance with the requirements of Regulation SCI without unnecessary delay.

b. Mandate Participation in Certain Testing Required by Rule 1004

Rule 1004 helps reduce the risks associated with an SCI entity's decision to activate its BC/DR plans and helps to ensure that such plans operate as intended, if activated. It also helps an SCI entity to ensure that its efforts to develop effective BC/DR plans are not undermined by a lack of participation by members or participants that the SCI entity believes are necessary to the successful activation of such plans. Rule 1004 also assists the Commission in maintaining fair and orderly markets in a BC/DR scenario following a wide-scale disruption.

c. SCI Event Notice Required by Rule 1002(b)

Rule 1002(b) fosters a system for comprehensive reporting of SCI events, which enhances the Commission's review and oversight of U.S. securities market infrastructure and fosters cooperation between the Commission and SCI entities in responding to SCI events. The Commission also believes that the aggregated data from the reporting of SCI events enhances its ability to comprehensively analyze the nature and types of various SCI events and identify more effectively areas of persistent or recurring problems across the systems of all SCI entities. The information in the final report required under Rule 1002(b)(4) provides the Commission with a comprehensive analysis to more fully understand and assess the impact caused by an SCI event. The quarterly report required by Rule 1002(b)(5) achieves the goal of keeping Commission staff informed regarding the nature and frequency of systems disruptions and systems intrusions that arise but are reasonably estimated by the SCI entity to have a de minimis impact on the entity's operations or on market participants. Further, submission and review of regular reports facilitates Commission staff comparisons among SCI entities and thereby permits the Commission and its staff to have a more holistic view of the types of systems operations challenges that were posed to SCI entities in the aggregate.

d. Dissemination of Information Required by Rule 1002(c)

Rule 1002(c) advances the Commission's goal of promoting fair and orderly markets by disseminating information about an SCI event to some or all of the SCI entity's members or participants, who can use such information to evaluate the event's impact on their trading and other activities and develop an appropriate response.

e. Material Systems Change Notice Required by Rule 1003(a)

Rule 1003(a) permits the Commission and its staff to have up-to-date information regarding an SCI entity's systems development progress and plans, and helps the Commission with its oversight of U.S. securities market infrastructure.

f. SCI Review Required by Rule 1003(b)

The SCI reviews under Rule 1003(b) not only assist the Commission in improving its oversight of the technology infrastructure of SCI entities, but also assist each SCI entity in assessing the effectiveness of its information technology practices, helping to ensure compliance with the safeguards provided by the requirements of Regulation SCI, identifying potential areas of weakness that require additional or modified controls, and determining where to best devote resources.

g. Access to EFFS

Rule 1006 provides a uniform manner in which the Commission receives—and SCI entities provide—written notifications, reviews, descriptions, analyses, or reports made pursuant to Regulation SCI. Rule 1006 therefore allows SCI entities to efficiently draft and file the required reports on Form SCI, and the Commission to efficiently review, analyze, and respond to the information provided. SCI entities submit Form SCI through the electronic form filing system (“EFFS”), which is also used by SCI SROs to file Form 19b-4 filings. In order to access EFFS, an SCI entity submits to the Commission an External Application User Authentication Form (“EAUF”) to register each individual at the SCI entity who access the EFFS system on behalf of the SCI entity. The information provided via EAUF is used by the Commission to verify the identity of the individual submitting Form SCI on behalf of the SCI entity and provide such individual access to the EFFS.

h. Corrective Action Required by Rule 1002(a)

Rule 1002(a) helps facilitate SCI entities’ responses to SCI events, including taking appropriate steps necessary to remedy the problem or problems causing such SCI event and mitigate the negative effects of the SCI event, if any, on market participants and the securities markets more broadly.

i. Identification of Critical SCI Systems, Major SCI Events, De Minimis SCI events, and Material Systems Changes

The requirement in Rule 1003(a) that each SCI entity establish written criteria for identifying material systems changes helps the Commission ensure that it is kept apprised of the systems changes that SCI entities believe to be material and aids the Commission and its staff in understanding the operations and functionality of the systems of an SCI entity and any changes to such systems.

The application of different requirements (e.g., Commission notification requirements and information dissemination requirements) to critical SCI systems, major SCI events, and de minimis SCI events, and the policies and procedures required by SCI entities to make these determinations, helps to ensure that the Commission is kept apprised of SCI events, and that relevant market participants have basic information about SCI events so that those notified can better develop an appropriate response. These policies and procedures also assist SCI entities in

complying with the notification, dissemination and reporting requirements of Regulation SCI.

j. **Recordkeeping Required by Rules 1005 and 1007**

Rule 1005 assists the Commission in understanding whether an SCI entity is meeting its obligations under Regulation SCI, assessing whether an SCI entity has appropriate policies and procedures with respect to its technology systems, helping to identify the causes and consequences of an SCI event, and understanding the types of material systems changes occurring at an SCI entity. Rule 1005 also facilitates the Commission's inspections and examinations of SCI entities and assists it in evaluating an SCI entity's compliance with Regulation SCI. Moreover, having an SCI entity's records available even after it has ceased to do business or to be registered under the Exchange Act provides an additional tool to help the Commission to reconstruct important market events and better understand the impact of such events.

Rule 1007 helps ensure the Commission's ability to obtain required records that are held by a third party who may not otherwise have an obligation to make such records available to the Commission.

3. Consideration Given to Information Technology

With a few exceptions, Regulation SCI requires SCI entities to submit any notification, review, description, analysis, or report to the Commission electronically on Form SCI. Regulation SCI is designed to streamline the reporting processes and make the processes efficient by specifying the information required to be provided and requiring SCI entities to electronically file Form SCI. SCI entities submit Form SCI through the EDFS, which is also used by SCI SROs to file Form 19b-4 filings.

4. Duplication

Regulation SCI replaced the two ARP policy statements and related staff guidance. However, although Regulation SCI codifies in a Commission rule many of the principles of the ARP policy statements, the rule has a broader scope than those statements.

Regulation SCI also superseded and replaced aspects of the ARP policy statements codified in Rule 301(b)(6) of Regulation ATS, applicable to significant-volume ATSS that trade NMS stocks and non-NMS stocks. Because Regulation SCI replaced the ARP policy statements, related staff guidance, and aspects of Rule 301(b)(6) applicable to significant-volume ATSS that trade NMS stocks and non-NMS stocks, Regulation SCI does not duplicate any existing information collection.

With regard to any FINRA rules applicable to ATSS, the Commission does not believe that these rules provide a comprehensive regulatory scheme relating to the capacity, integrity, resiliency, availability, and security of SCI systems comparable to Regulation SCI.

5. Effect on Small Entities

Not applicable. None of the respondents subject to the information collection will be a small entity.

6. Consequences of Not Conducting Collection

The collection of information is designed to ensure that SCI entities operate with adequate capacity, integrity, resiliency, availability, and security, and in compliance with the Exchange Act and relevant rules. Any less frequent collection would deprive the Commission of timely information regarding systems issues and systems changes at SCI entities and SCI entities' compliance with Regulation SCI. Any less frequent collection also would deprive the Commission and members or participants of SCI entities of timely information regarding the occurrence and resolution of systems issues.

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

Several provisions of Regulation SCI require respondents to report information to the agency more often than quarterly. These provisions include Rules 1002(b), 1002(c), and Rule 1003(a), which generally involve the provision of certain types of notifications involving an SCI event (e.g., a systems disruption, a systems intrusion, or a systems compliance issue), either to the Commission or to a third party, and notification to the Commission of material systems changes. Depending on the frequency of SCI events (with exceptions for certain SCI events), SCI entities may be required to provide information to the Commission or disseminate information to their members or participants more than once per quarter. However, the Commission believes that timely and comprehensive reporting of SCI events to the Commission enhance its oversight of U.S. securities market infrastructure and foster cooperation between the Commission and SCI entities in responding to SCI events. For example, timely receipt of information regarding an SCI event helps the Commission and its staff to quickly assess the nature and scope of that SCI event, and potentially assist the SCI entity in identifying the appropriate response. Further, the Commission believes the timely dissemination of information about certain SCI events to member or participants of SCI entities helps members or participants to quickly assess the nature and scope of those SCI events and whether and how they were affected by the events, and make appropriate decisions based on those assessments.

In addition, SCI entities may be required to provide information to the Commission regarding material systems changes more often than quarterly. In particular, although Rule 1003(a) requires quarterly reports of material systems changes, it also requires prompt supplemental reports notifying the Commission of a material error in or material omission from a previously submitted report. The Commission believes that it should, on an ongoing basis, have complete and correct information regarding material systems changes at an SCI entity, rather than waiting until the next quarterly report to receive corrected information.

Rule 1005(b) requires each SCI entity (other than an SCI SRO) to make, keep, and preserve at least one copy of all documents relating to its compliance with Regulation SCI for a

period of not less than five years, the first two years in a place that is readily accessible to the Commission or its representatives for inspection and examination. The Commission notes that these recordkeeping time periods are consistent with those currently applicable to self-regulatory organizations (including SCI SROs) under Rule 17a-1 under the Exchange Act.

Finally, information submitted to the Commission under Regulation SCI could include proprietary trade secret or other confidential information. However, if a confidential treatment request is properly made, the Commission will keep the information collected pursuant to Form SCI confidential to the extent permitted by law.¹¹

8. Consultations Outside the Agency

The Commission published a proposing release with respect to the Infrastructure Proposal soliciting comments on the proposed amendments' requirements and associated paperwork burdens.¹² Comments on Commission releases are generally received from industry groups, 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 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

Not applicable.

10. Confidentiality

The Commission expects that the written policies and procedures, processes, criteria, standards, or other written documents developed or revised by SCI entities pursuant to Regulation SCI will be retained by SCI entities in accordance with, and for the periods specified in Exchange Act Rule 17a-1 and Rule 1005, as applicable. Should such documents be made available for examination or inspection by the Commission and its representatives, they would be kept confidential subject to the provisions of applicable law.¹³ In addition, the information submitted to the Commission pursuant to Regulation SCI that is filed on Form SCI is treated as confidential, subject to applicable law, including amended Rule 24b-2.¹⁴ The information

¹¹ 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.* (Freedom of Information Act); 17 CFR 240.24b-2.

¹² See Proposing Release, *supra* note 10.

¹³ *Id.*

¹⁴ *Id.*

disseminated by SCI entities pursuant to Rule 1002(c) under Regulation SCI to their members or participants is not confidential.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection collects basic Personally Identifiable Information (PII) that may include name, telephone and fax number, email address, user ID and job title. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act, since the information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the SRO Rule Tracking/Electronic Form Filing System (SRTS/EFFS), in connection with this collection of information. The SRTS/EFFS PIA, published on September 30, 2013, is also available at <https://www.sec.gov/privacy>.

12. Information Collection Burden

a. Policies and Procedures Required by Rule 1001(a)

Rule 1001(a) establishes recordkeeping burdens for SCI entities. However, certain burdens will be different for current SCI entities and new SCI entities.

Rule 1001(a) requires each SCI entity to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that its SCI systems and, for purposes of security standards, indirect SCI systems, have levels of capacity, integrity, resiliency, availability, and security, adequate to maintain the SCI entity's operational capability and promote the maintenance of fair and orderly markets.

The Commission estimates that approximately 2 entities will become SCI entities each year.¹⁵ A new SCI entity will require an average of 534 burden hours initially to develop and draft the policies and procedures required by Rule 1001(a) (except for the policies and procedures required by paragraph (a)(2)(vi) for standards that result in systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful collection, processing, and dissemination of market data, which is discussed below), or 1,068¹⁶ hours annually for all such SCI entities. With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated

¹⁵ This estimate for new SCI entities does not include competing consolidators under the Infrastructure Proposal. New competing consolidators that would become SCI entities if the Commission adopts the Infrastructure Proposal are discussed separately throughout this analysis.

¹⁶ 534 hours × 2 new SCI entities = 1,068 hours.

with an SRO¹⁷ would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 267 burden hours, or 1,068 burden hours annually for all such competing consolidators.¹⁸ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (534 hours), or 3,204 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 5,340 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$178,418 for each new SCI entity,¹⁹ or \$356,836 for all such new SCI entities.²⁰ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$89,209 for each such competing consolidator or \$356,836 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$178,418), or \$1,070,508 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$1,784,180.

The Commission estimates that an SCI entity will require an average of 87 hours annually to review and update such policies and procedures, or 3,828 hours annually for all such SCI entities.²¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would instead become competing consolidators and would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (87 hours each annually), or 870 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Proposal, for all SCI entities would be 4,698 hours.

¹⁷ Two of the 12 competing consolidators that are existing SIPs would be operating a substantially similar business and performing a similar function in their new role as competing consolidators and therefore the Commission believes they would not have any material initial burdens to comply with the requirements of Regulation SCI.

¹⁸ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

¹⁹ $(192 \text{ Compliance Manager hours} \times \$307) + (192 \text{ Attorney hours} \times \$412) + (60 \text{ Senior Systems Analyst hours} \times \$282) + (60 \text{ Operations Specialist hours} \times \$135) + (20 \text{ Chief Compliance Officer hours} \times \$526) + (10 \text{ Director of Compliance hours} \times \$483) = \$178,418.$

²⁰ $\$178,418 \times 2 = \$356,836.$ See also supra note 15.

²¹ $87 \text{ hours} \times 44 \text{ SCI entities} = 3,828 \text{ hours}.$

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$31,143 for each SCI entity,²² or \$1,370,292 for all such SCI entities.²³ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would instead become competing consolidators and would have no additional cost (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$31,143 each), or \$311,430 for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all such SCI entities would be \$1,681,722.

With respect to the requirement in Rule 1001(a)(2)(vi) for policies and procedures that provide for standards that result in systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful collection, processing, and dissemination of market data, the Commission estimates that each new SCI entity will spend, on average, 160 hours initially, or 320 hours annually for all new SCI entities.²⁴ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO²⁵ would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 80 burden hours each, or 320 hours for all such competing consolidators.²⁶ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (160 hours each), or 960 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 1,600 hours.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden would be \$54,410 for each new SCI entity,²⁷ or \$108,820 annually for all such new SCI entities.²⁸ With respect to the Infrastructure Proposal, the

²² (28 Compliance Manager hours x \$307) + (28 Attorney hours x \$412) + (8 Senior Systems Analyst hours x \$282) + (8 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$31,143.

²³ \$31,143 x 44 = \$1,370,292.

²⁴ 160 hours x 2 new SCI entities = 320 hours.

²⁵ Two of the 12 competing consolidators that are existing SIPs would be operating a substantially similar business and performing a similar function in their new role as competing consolidators and therefore the Commission believes would not have an initial burden under Rule 1001(a)(2)(vi).

²⁶ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

²⁷ (30 Compliance Attorney hours x \$362) + (100 Senior Systems Analyst hours x \$282) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$54,410.

²⁸ \$54,410 x 2 = \$108,820.

Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$27,205 for each such competing consolidator, or \$108,820 annually for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$54,410) or \$326,460 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$544,100.

The Commission estimates that each SCI entity will spend, on average, 145 hours annually to review and update such policies and procedures, or 6,380 hours annually, on average, for all such SCI entities.²⁹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (145 hours each annually), or 1,450 hours annually for all such competing consolidators. The total average ongoing burden, including the Infrastructure Proposal, for all SCI entities would be 7,830 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$46,735 for each SCI entity,³⁰ or \$2,056,340 annually for all such SCI entities.³¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional cost (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$46,735 each), or \$467,350 for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, would be \$2,523,690.

In summary, the Commission estimates that the total average annual initial recordkeeping burden for complying with Rule 1001(a) for new SCI entities is 1,388 hours, or 694 hours per new SCI entity, and the total average annual ongoing recordkeeping burden for SCI entities is 10,208 hours, or approximately 232 hours per SCI entity. The Commission estimates that the total average annual initial recordkeeping burden for complying with Rule 1001(a) for competing consolidators is 5,552 hours, or approximately 555 hours per competing consolidator (that is not currently a SIP),³² and the total average annual ongoing recordkeeping burden for competing consolidators is 2,320 hours, or approximately 232 hours per competing consolidator.

The Commission estimates that:

²⁹ 145 hours × 44 SCI entities = 6,380 hours.

³⁰ (30 Compliance Attorney hours x \$362) + (100 Senior Systems Analyst hours x \$282) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$46,735.

³¹ \$46,735 x 44 = \$2,056,340.

³² This estimate is an average across 10 competing consolidators, but as discussed above 4 of the expected competing consolidators that are currently SROs are estimated to have only a 50% initial burden.

- **The total average annual initial recordkeeping burden for complying with Rule 1001(a), including the Infrastructure Proposal, is 6,940 hours, and**
- **The total average annual ongoing recordkeeping burden for complying with Rule 1001(a), including the Infrastructure Proposal, is 12,528 hours.**

b. Policies and Procedures Required by Rule 1001(b)

Rule 1001(b) establishes recordkeeping burdens for all SCI entities. However, certain burdens will be different for SCI entities that are SCI SROs and SCI entities that are not SCI SROs.

Rule 1001(b) requires each SCI entity to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that its SCI systems operate in a manner that complies with the Exchange Act and the rules and regulations thereunder and the entity's rules and governing documents, as applicable.

The Commission estimates that a new SCI entity will spend 270 hours initially to design the systems compliance policies and procedures, or 540 hours annually for all new SCI entities.³³ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 135 burden hours, or 540 hours annually for all such competing consolidators.³⁴ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (270 hours), or 1,620 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 2,700 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$101,580 for each new SCI entity,³⁵ or \$203,160 annually for all such new SCI entities.³⁶ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$50,790 for each such competing consolidator or \$203,160 for all such SCI entities. Six competing

³³ 270 hours × 2 new SCI entities = 540 hours.

³⁴ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

³⁵ (40 Compliance Attorney hours x \$362) + (200 Senior Systems Analyst hours x \$282) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$101,580.

³⁶ \$54,410 x 2 = \$108,820.

consolidators would have the same costs as other new SCI entities (\$101,590), or \$609,480 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$1,015,800.

The Commission estimates that each SCI SRO will spend, on average, 175 hours annually to review and update such policies and procedures, or 5,775 hours for all SCI SROs.³⁷ The Commission estimates that each SCI entity that is not an SRO will spend, on average, 95 hours annually to review and update such policies and procedures, or 1,045 hours for all such SCI entities.³⁸ With respect to the Infrastructure Proposal, the Commission estimates that the ten competing consolidators would have the same burdens as non-SCI SROs (95 hours),³⁹ or 950 burden hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Proposal, for all SCI entities would be 7,770 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$54,875 for each SCI SRO,⁴⁰ or \$1,810,875 for all such SCI entities.⁴¹ The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$31,355 for each SCI entity that is not an SRO,⁴² or \$344,905 for all such SCI entities.⁴³ With respect to the Infrastructure Proposal, the Commission estimates that ten competing consolidators would have the same average internal cost of compliance as non-SCI SROs, (\$31,355) or \$313,550 burden hours annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, would be \$2,469,330 for all SCI entities.

The Commission estimates that:

- **the total average annual initial recordkeeping burden for complying with Rule 1001(b), including the Infrastructure Proposal, is 2,700 hours;**
- **the total average annual ongoing recordkeeping burden for complying with Rule 1001(b) for SCI SROs is 5,775 hours; and**

³⁷ 175 hours × 33 SCI SROs = 5,775 hours.

³⁸ 95 hours × 11 non-SRO SCI entities = 1,045 hours.

³⁹ Although four of the 10 competing consolidators are SROs or affiliated with an SRO, and would therefore generally have 50% lower initial burdens, the Commission believes that SRO competing consolidators would have the same burdens as non-SRO entities for these particular ongoing burdens.

⁴⁰ (26 Compliance Attorney hours x \$362) + (134 Senior Systems Analyst hours x \$282) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$54,875.

⁴¹ \$54,875 x 33 = \$1,810,875.

⁴² (14 Compliance Attorney hours x \$362) + (66 Senior Systems Analyst hours x \$282) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$31,355.

⁴³ \$31,355 x 11 = \$344,905.

- **the total average annual ongoing recordkeeping burden for complying with Rule 1001(b) for non-SCI SROs is 1,995 hours.**

c. Policies and Procedures Required by Rule 1001(c)

Rule 1001(c) establishes recordkeeping burdens for all SCI entities.

Rule 1001(c) requires each SCI entity to establish, maintain, and enforce reasonably designed written policies and procedures that include the criteria for identifying responsible SCI personnel, the designation and documentation of responsible SCI personnel, and escalation procedures to quickly inform responsible SCI personnel of potential SCI events.

The Commission estimates that each new SCI entity will require 114 hours initially to establish the criteria for identifying responsible SCI personnel and the escalation procedures, or 228 hours for all new SCI entities.⁴⁴ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours, or 228 burden hours annually for all such competing consolidators. Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (114 hours), or 684 hours annually for all such new SCI entities.⁴⁵ The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 1,140 hours.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden would be \$42,528 for each new SCI entity,⁴⁶ or \$85,056 for all such new SCI entities.⁴⁷ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$21,264 for each such competing consolidator, or \$85,056 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$42,528), or \$255,168 for all such new competing consolidators. The total annual internal cost of compliance with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$425,280.

⁴⁴ 114 hours × 2 new SCI entities = 228 hours.

⁴⁵ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

⁴⁶ (32 Compliance Manager hours x \$307) + (32 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (10 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$42,528.

⁴⁷ \$42,528 x 2 = \$85,056.

The Commission also estimates that, on average, each SCI entity will require 39 hours annually to review and update the criteria and the escalation procedures, or 1,716 hours annually for all SCI entities.⁴⁸ With respect to the Infrastructure Proposal, the Commission estimates that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (39 hours each annually), or 390 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Proposal, for all SCI entities would be 2,106 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$15,548 for each SCI entity,⁴⁹ or \$684,112 for all such SCI entities.⁵⁰ With respect to the Infrastructure Proposal, the Commission estimates that two of the 12 competing consolidators that are the existing SIPs would have no additional cost (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$15,548 each), or \$155,480. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$839,592.

The Commission estimates that:

- **The total average annual initial recordkeeping burden for complying with Rule 1001(c), including the Infrastructure Proposal, is 1,140 hours, and**
- **The total average annual ongoing recordkeeping burden for complying with Rule 1001(c), including the Infrastructure Proposal, is 2,106 hours.**

d. Mandate Participation in Certain Testing Required by Rule 1004

Rule 1004 establishes recordkeeping burdens for SCI entities that are not plan processors.

Rule 1004 requires each SCI entity to establish standards for the designation of certain members or participants for BC/DR plan testing, to designate members or participants in accordance with these standards, to require participation by designated members or participants in such testing at least annually, and to coordinate such testing on an industry- or sector-wide basis with other SCI entities.

⁴⁸ 39 hours × 44 SCI entities = 1,716 hours.

⁴⁹ (9.5 Compliance Manager hours x \$307) + (9.5 Attorney hours x \$412) + (2.5 Senior Systems Analyst hours x \$282) + (2.5 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$15,548.

⁵⁰ \$15,548 x 44 = \$684,112.

The Commission estimates that the requirements under Rules 1004(a) (i.e., establishment of standards for the designation of members and participants) and (c) (i.e., coordination of testing on an industry- or sector-wide basis) will initially require 360 hours for each new SCI entity that is not a plan processor,⁵¹ or 720 hours annually for all such SCI entities.⁵² With respect to the Infrastructure Proposal, the Commission estimates that six competing consolidators that are currently SROs or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity,⁵³ which will require an average of 180 burden hours, or 1,080 burden hours annually for all such competing consolidators.⁵⁴ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (360 hours), or 2,160 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 3,959 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$107,298 for each new SCI entity that is not a plan processor,⁵⁵ or \$214,596 annually for all such entities.⁵⁶ With respect to the Infrastructure Proposal, the Commission estimates that six competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$53,649 for each such competing consolidator, or \$321,894 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$107,298), or \$643,788 for all such new competing consolidators. The total annual internal cost of compliance with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$1,180,278.

Further, the Commission estimates that the requirements under Rules 1004(a) and (c) will require 135 hours annually for each SCI entity that is not a plan processor, or an average estimate of 5,670 hours annually for all such SCI entities.⁵⁷ With respect to the Infrastructure Proposal,

⁵¹ The estimate of 360 hours includes the burden for designating members or participants for testing, as required by Rule 1004(b).

⁵² $360 \text{ hours} \times 2 \text{ new SCI entities other than plan processors} = 720 \text{ hours.}$

⁵³ The Commission believes that for this particular burden, existing SIPs that become competing consolidators will have the same burdens as other SCI entities, and so they have been added to this burden estimate.

⁵⁴ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

⁵⁵ $(40 \text{ Compliance Manager hours} \times \$307) + (60 \text{ Attorney hours} \times \$412) + (20 \text{ Assistant General Counsel hours} \times \$462) + (60 \text{ Senior Operations Manager hours} \times \$362) + (140 \text{ Operations Specialist hours} \times \$135) + (26 \text{ Chief Compliance Officer hours} \times \$526) + (14 \text{ Director of Compliance hours} \times \$483) = \$107,298.$

⁵⁶ $\$107,298 \times 2 = \$214,596.$

⁵⁷ $135 \text{ hours} \times 42 \text{ SCI entities other than plan processors} = 5,670 \text{ hours.}$ As noted in the SCI

the twelve competing consolidators would have the same average ongoing burden as other SCI entities (135 hours each annually), or 1,620 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Proposal, for all SCI entities would be 7,290 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$35,925 for each SCI entity,⁵⁸ or \$1,508,850 annually for all such entities.⁵⁹ With respect to the Infrastructure Proposal, the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$35,925), or \$431,100. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$1,939,950. Based on its experience with plan processors, the Commission believes that plan processors will outsource the work related to compliance with Rule 1004 (and, accordingly, such outsourced costs have been included in the response to Item 13).

In summary, the Commission estimates that:

- **The total average annual initial recordkeeping burden for complying with Rule 1004(a) and (c), including the Infrastructure Proposal, is 3,959 hours, and**
- **The total average annual ongoing recordkeeping burden is 7,290 hours.**

e. SCI Event Notice Required by Rule 1002(b)

Rule 1002(b) establishes reporting burdens for all SCI entities.

Rule 1002(b)(1) requires each SCI entity, upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred, to notify the Commission immediately. Based on experience from the previous three years, the Commission staff estimates that each SCI entity will submit, on average, 5 notifications per year pursuant to Rule 1002(b)(1). These notifications can be made orally or in writing, and the Commission estimates that approximately one-fourth of these notifications will be submitted in writing (*i.e.*,

Adopting Release, the Commission does not believe that there would be significant annual burden under Rule 1004(a), as the Commission believes that designation standards will likely not change substantially on an annual basis. *See* Regulation SCI Adopting Release, 79 FR 72380, FN. 1495.

⁵⁸ (10 Compliance Manager hours x \$307) + (15 Attorney hours x \$412) + (5 Assistant General Counsel hours x \$462) + (20 Senior Operations Manager hours x \$362) + (70 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$35,925.

⁵⁹ \$35,925 x 42 = \$1,508,850.

approximately 1 event per year for each SCI entity), and approximately three-fourths will be provided orally (i.e., approximately 4 events per year for each SCI entity). The written notifications may be submitted on Form SCI. The Commission estimates that each written notification will require 2 hours and each oral notification will require 1.5 hours. The Commission estimates that each SCI entity will require an average of 8 hours annually to comply with Rule 1002(b)(1),⁶⁰ or, on average, 352 hours annually for all SCI entities.⁶¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (8 hours each annually) or 80 hours annually for all such competing consolidators. **The Commission estimates that the average annual ongoing burden for complying with Rule 1002(b)(1), including the Infrastructure Proposal, would be 432 hours for all SCI entities.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for written notifications would be approximately \$637 for each SCI entity,⁶² and for oral notifications would be \$1,827 for each SCI entity,⁶³ or, on average, \$108,394 annually for all such SCI entities for all notifications.⁶⁴ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities, or on average or \$6,370 for written notifications and \$18,270 for oral notifications annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$133,034.

Rule 1002(b)(2) requires each SCI entity, within 24 hours of any responsible SCI personnel having a reasonable basis to conclude that the SCI event has occurred, to submit a written notification to the Commission pertaining to the SCI event on a good faith, best efforts basis. These notifications are required to be submitted on Form SCI. The Commission estimates that each notification under Rule 1002(b)(2) will require 24 hours for each SCI entity. The

⁶⁰ 1 written notification each year × 2 hours per notification + 4 oral notifications each year × 1.5 hours per notification = 8 hours.

⁶¹ 8 hours × 44 SCI entities = 352 hours.

⁶² (0.5 Compliance Manager hours x \$307) + (0.5 Attorney hours x \$412) + (0.5 Senior Systems Analyst hours x \$282) + (0.5 Senior Business Analyst hours x \$272) = \$636.50. \$636.50 per notification x 1 written notification each year = \$636.50.

⁶³ (0.25 Compliance Manager hours x \$307) + (0.25 Attorney hours x \$412) + (0.5 Senior Systems Analyst hours x \$282) + (0.5 Senior Business Analyst hours x \$272) = \$456.75. \$456.75 per notification x 4 oral notifications each year = \$1,827.

⁶⁴ \$636.50 + \$1,827 = \$2,463.5. \$2,463.25 x 44 = \$108,394.

Commission estimates that each SCI entity will require an average of 120 hours annually to comply with Rule 1002(b)(2),⁶⁵ or 5,280 hours annually for all SCI entities.⁶⁶ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (120 hours each annually) or 1,200 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(2), including the Infrastructure Proposal, for all SCI entities would be 6,480 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$39,535 for each SCI entity,⁶⁷ or \$1,739,540 annually for all such entities.⁶⁸ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance (\$39,535 each), or \$395,350 for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$2,134,890.

Rule 1002(b)(3) requires each SCI entity to provide updates to the Commission pertaining to an SCI event on a regular basis, or at such frequency as reasonably requested by a representative of the Commission, until the SCI event is resolved and the SCI entity's investigation of the SCI event is closed. These updates can be provided orally or in writing, and the Commission estimates that, based on past experience, each SCI entity will submit 1 written update and 1 oral update each year, for a total of 2 updates each year. The written updates may be submitted on Form SCI. The Commission estimates that each written update will require 6 hours and each oral update will require 4.5 hours. The Commission estimates that each SCI entity will require an average of 10.5 hours annually to comply with Rule 1002(b)(3),⁶⁹ or, on average, 462 hours annually for all SCI entities.⁷⁰ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The

⁶⁵ 5 written notifications each year × 24 hours per notification = 120 hours.

⁶⁶ 120 hours × 44 SCI entities = 5,280 hours.

⁶⁷ (5 Compliance Manager hours x \$307) + (5 Attorney hours x \$412) + (6 Senior Systems Analyst hours x \$282) + (1 Assistant General Counsel hour x \$462) + (1 Chief Compliance Officer hour x \$526) + (6 Senior Business Analyst hours x \$272) = \$7,907. \$7,907 per notification x 5 notifications each year = \$39,535.

⁶⁸ \$39,535 x 44 = \$1,739,540.

⁶⁹ 1 written updates each year × 6 hours per notification + 1 oral updates each year × 4.5 hours per notification = 10.5 hours.

⁷⁰ 10.5 hours × 44 SCI entities = 462 hours.

remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (10.5 hours each annually) or 105 hours annually for all such competing consolidators. **The Commission estimates that the average annual ongoing burden for complying with Rule 1002(b)(3), including the Infrastructure Proposal, would be 567 hours for all SCI entities.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for the written update would be \$1,909.50 for each SCI entity,⁷¹ and for the oral update would be \$1,370.25 for each SCI entity,⁷² or \$144,309 annually for all such SCI entities for all notifications.⁷³ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities, or on average \$1,909.50 for written notifications and \$1,370.25 for oral notifications for each competing consolidator, or \$32,797.50 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$177,106.50.

Rule 1002(b)(4) requires each SCI entity to submit written interim reports, as necessary, and a written final report regarding an SCI event to the Commission. These reports are required to be submitted on Form SCI. The Commission estimates that compliance with Rule 1002(b)(4) for a particular SCI event will require 35 hours. Because the Commission estimates that each SCI entity will experience an average of 5 SCI events each year that are not de minimis SCI events, Rule 1002(b)(4) will result in 5 reporting requirements per SCI entity per year. The Commission estimates that each SCI entity will require an average of 175 hours annually to comply with Rule 1002(b)(4),⁷⁴ or 7,700 hours annually for all SCI entities.⁷⁵ With respect to

⁷¹ $(1.5 \text{ Compliance Manager hours} \times \$307) + (1.5 \text{ Attorney hours} \times \$412) + (1.5 \text{ Senior Systems Analyst hours} \times \$282) + (1.5 \text{ Senior Business Analyst hours} \times \$272) = \$1,909.50.$

⁷² $(0.75 \text{ Compliance Manager hours} \times \$307) + (0.75 \text{ Attorney hours} \times \$412) + (0.5 \text{ Senior Systems Analyst hours} \times \$282) + (0.5 \text{ Senior Business Analyst hours} \times \$272) = \$1,370.25.$

⁷³ $\$1909.50 + \$1,370.25 = \$3,279.75. \$36,121.50 \times 44 = \$144,309.$

⁷⁴ $5 \text{ written notifications each year} \times 35 \text{ hours per notification} = 175 \text{ hours.}$

⁷⁵ $175 \text{ hours} \times 44 \text{ SCI entities} = 7,700 \text{ hours.}$ The Commission notes that this reporting burden estimate includes the reporting burden for submitting the one interim Commission notification required under Rule 1002(b)(4)(i)(B) (if necessary). In particular, the Commission notes that the interim notification requires SCI entities to include the same information as required to be included in a final notification under Rule 1002(b)(4)(i)(A), except that SCI entities are only required to provide the information to the extent known at the time of the interim notification. If an SCI entity submits an interim notification, it is also required to submit a final notification, which is required to include all of the remaining information that was not provided in the interim notification. Because all SCI entities are required to provide the same amount of information in total for a particular SCI event under Rule 1002(b)(4), regardless of whether they submit an

the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (175 hours each annually) or 1,750 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(4), including the Infrastructure Proposal, for all SCI entities would be 9,450 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$61,065 for each SCI entity,⁷⁶ or, on average, \$2,686,860 annually for all such SCI entities.⁷⁷ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$61,065 each), or on average, \$610,650 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$3,297,510.

Rule 1002(b)(5) requires each SCI entity to submit to the Commission quarterly reports containing a summary description of any systems disruption or systems intrusion that has had, or the SCI entity reasonably estimates would have, no or a de minimis impact on the SCI entity's operations or on market participants. These reports are required to be submitted on Form SCI. The Commission estimates that the initial and ongoing reporting burden to comply with the quarterly report requirement will be 40 hours per report per SCI entity, or 160 hours annually per SCI entity,⁷⁸ and, on average, 7,040 hours annually for all SCI entities.⁷⁹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (160 hours each annually) or 1,600 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(5), including the Infrastructure Proposal, for all SCI entities would be 8,640 hours.**

interim notification, the estimated burden for Rule 1002(b)(4) includes the burden for both the interim notification (if necessary) and the final notification related to a particular SCI event.

⁷⁶ (8 Compliance Manager hours x \$307) + (8 Attorney hours x \$412) + (7 Senior Systems Analyst hours x \$282) + (2 Assistant General Counsel hours x \$462) + (1 General Counsel hour x \$607) + (2 Chief Compliance Officer hours x \$526) + (7 Senior Business Analyst hours x \$272) = \$12,213. \$12,213 per notification x 5 notifications each year = \$61,065.

⁷⁷ \$61,065 x 44 = \$2,686,860.

⁷⁸ 40 hours x 4 reports each year = 160 hours.

⁷⁹ 160 hours x 44 SCI entities = 7,040 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$54,062 for each SCI entity,⁸⁰ or \$2,378,728 annually for all such SCI entities.⁸¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$54,062 each), or on average, \$540,620 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$2,919,348.

In summary, the Commission estimates that the total reporting burden for complying with Rule 1002(b) is 20,834 hours per year,⁸² or 473.50 hours per SCI entity.⁸³ With respect to the Infrastructure Proposal, the total reporting burden for the ten competing consolidators will be 4,735 hours. The total reporting burden for all SCI entities will be 25,569 hours.

f. Dissemination of Information Required by Rule 1002(c)

Rule 1002(c) establishes third party disclosure burdens for all SCI entities.

Rule 1002(c)(1)(i) requires each SCI entity, promptly after any responsible SCI personnel has a reasonable basis to conclude that an SCI event (other than a systems intrusion) has occurred, to disseminate certain information to its members or participants. The Commission estimates that each SCI entity will disseminate information regarding 3 SCI events each year under Rule 1002(c)(1)(i). The Commission estimates that each information dissemination under Rule 1002(c)(1)(i) will require 7 hours. Thus, the total annual third party disclosure burden to comply with Rule 1002(c)(1)(i) will be 21 hours per SCI entity,⁸⁴ or, on average, 924 hours annually for all SCI entities.⁸⁵ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (21 hours each annually), or 210

⁸⁰ $(7.5 \text{ Compliance Manager hours} \times \$307) + (7.5 \text{ Attorney hours} \times \$412) + (10 \text{ Senior Systems Analyst hours} \times \$282) + (2 \text{ Assistant General Counsel hours} \times \$462) + (1 \text{ General Counsel hour} \times \$607) + (2 \text{ Chief Compliance Officer hours} \times \$526) + (10 \text{ Senior Business Analyst hours} \times \$272) = \$13,515.50$. $\$13,515.50 \text{ per report} \times 4 \text{ reports each year} = \$54,062$.

⁸¹ $\$54,062 \times 44 = \$2,378,728$.

⁸² $352 \text{ hours (Rule 1002(b)(1))} + 5,280 \text{ hours (Rule 1002(b)(2))} + 462 \text{ hours (Rule 1002(b)(3))} + 7,700 \text{ hours (Rule 1002(b)(4))} + 7,040 \text{ hours (Rule 1002(b)(5))} = 20,834 \text{ hours per year}$.

⁸³ $20,834 \text{ hours} \div 44 \text{ SCI entities} = 473.5 \text{ hours per SCI entity}$.

⁸⁴ $3 \text{ information disseminations each year} \times 7 \text{ hours per dissemination} = 21 \text{ hours}$.

⁸⁵ $21 \text{ hours} \times 44 \text{ SCI entities} = 924 \text{ hours}$.

hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1002(c)(1)(i), including the Infrastructure Proposal, for all SCI entities would be 1,134 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be approximately \$13,733 for each SCI entity,⁸⁶ or, on average, \$604,230 annually for all such SCI entities. With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$13,733 each), or on average, \$137,330 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$741,560.

Rule 1002(c)(1)(ii) requires each SCI entity, when known, to promptly disseminate additional information about an SCI event (other than a systems intrusion) to its members or participants. Rule 1002(c)(1)(iii) requires each SCI entity to provide to its members or participants regular updates of any information required to be disseminated under Rules 1002(c)(1)(i) and (ii) until the SCI event is resolved. The Commission estimates that each SCI entity will disseminate 3 updates for each SCI event under Rules 1002(c)(1)(ii) and (iii), or 9 updates each year.⁸⁷ The Commission estimates that each update under Rules 1002(c)(1)(ii) and (iii) will require 13 hours. Thus, the total annual third party disclosure burden to comply with Rules 1002(c)(1)(ii) and (iii) will be 117 hours per SCI entity,⁸⁸ or, on average, 5,148 hours annually for all SCI entities.⁸⁹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (117 hours each annually), or 1,170 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1002(c)(1)(ii), including the Infrastructure Proposal, for all SCI entities would be 6,318 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$46,224 for each SCI entity,⁹⁰ or, on average,

⁸⁶ (1 Compliance Manager hours x \$307) + (2.67 Attorney hours x \$412) + (1 Senior Systems Analyst hours x \$282) + (0.5 General Counsel hour x \$607) + (0.5 Director of Compliance hours x \$483) + (0.5 Chief Compliance Officer hours x \$526) + (.5 Corporate Communications Manager hours x \$337) + (.33 Webmasters hours x \$246) = \$2,746.50. \$2,746.50 per notification x 5 notifications each year = \$13,732.50.

⁸⁷ 3 SCI events × 3 updates per SCI event = 9 updates.

⁸⁸ 9 updates each year × 13 hours per update = 117 hours.

⁸⁹ 117 hours × 44 SCI entities = 5,148 hours.

⁹⁰ (2 Compliance Manager hours x \$307) + (4.67 Attorney hours x \$412) + (2 Senior Systems

\$2,033,856 annually for all such SCI entities.⁹¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$46,224 each), or on average, \$462,240 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$2,496,096.

Rule 1002(c)(2) requires each SCI entity to disseminate certain information regarding a systems intrusion to its members or participants, and provides an exception when the SCI entity determines that dissemination of such information would likely compromise the security of its SCI systems or indirect SCI systems, or an investigation of the systems intrusion, and documents the reasons for such determination. The Commission estimates that each SCI entity will disseminate information regarding 1 systems intrusion each year under Rule 1002(c)(2). The Commission estimates that each dissemination under Rule 1002(c)(2) will require 10 hours. Thus, the total annual third party disclosure burden to comply with Rule 1002(c)(2) will be 10 hours per SCI entity, or, on average, 440 hours for all SCI entities.⁹² With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (10 hours each), or 100 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1002(c)(2), including the Infrastructure Proposal, for all SCI entities would be 540 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be approximately \$3,941 for each SCI entity,⁹³ or \$173,415 annually for all such SCI entities.⁹⁴ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of

Analyst hours x \$282) + (1 General Counsel hour x \$607) + (1 Director of Compliance hours x \$483) + (1 Chief Compliance Officer hours x \$526) + (1 Corporate Communications Manager hours x \$337) + (.33 Webmasters hours x \$246) = \$5,136. \$5,136 per update x 9 notifications each year = \$46,224.

⁹¹ \$46,224 x 44 = \$2,033,856.

⁹² 10 hours x 44 SCI entities = 440 hours.

⁹³ (1.5 Compliance Manager hours x \$307) + (3.67 Attorney hours x \$412) + (1.5 Senior Systems Analyst hours x \$282) + (0.75 General Counsel hour x \$607) + (0.75 Director of Compliance hours x \$483) + (0.75 Chief Compliance Officer hours x \$526) + (0.75 Corporate Communications Manager hours x \$337) + (.33 Webmasters hours x \$246) = \$3,941.25.

⁹⁴ \$3,941.25 x 44 = \$173,415.

compliance as other SCI entities (\$3,941 each), or on average, \$39,410 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$212,825.

In summary, the total annual third party disclosure burden to comply with Rule 1002(c) will be, on average, 6,512 hours for all SCI entities,⁹⁵ or 148 hours annually per SCI entity.⁹⁶ With respect to the Infrastructure Proposal, the total burden will be, on average, 1,480 hours for the 10 competing consolidators (not including the current SIPs which are included in the prior estimate). The total average annual burden would be 7,992 hours for all SCI entities.

g. Material Systems Change Notice Required by Rule 1003(a)

Rule 1003(a) establishes reporting burdens for all SCI entities.

Rule 1003(a)(1) requires each SCI entity to submit to the Commission quarterly reports describing completed, ongoing, and planned material changes to its SCI systems and security of indirect SCI systems during the prior, current, and subsequent calendar quarters. These reports are required to be submitted on Form SCI. The Commission estimates that the reporting burden to comply with the quarterly reporting requirement will be 125 hours per report per SCI entity, or 500 hours annually per SCI entity⁹⁷ and an average of 22,000 hours annually for all SCI entities.⁹⁸ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (500 hours each annually), or 5,000 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1003(a)(1), including the Infrastructure Proposal, for all SCI entities would be 27,000 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for quarterly reports would be \$149,330 for each SCI entity,⁹⁹ or \$6,570,520 for all such SCI entities.¹⁰⁰ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would

⁹⁵ 924 hours (Rule 1002(c)(1)(i)) + 5,148 hours (Rules 1002(c)(1)(ii) and (iii)) + 440 hours (Rule 1002(c)(2)) = 6,512 hours.

⁹⁶ 6,512 hours ÷ 44 SCI entities = 148 hours per SCI entity.

⁹⁷ 125 hours × 4 reports each year = 500 hours.

⁹⁸ 500 hours × 44 SCI entities = 22,000 hours.

⁹⁹ (7.5 Compliance Manager hours x \$307) + (7.5 Attorney hours x \$412) + (5 Chief Compliance Officer hours x \$526) + (75 Senior Systems Analyst hours x \$282) + (30 Senior Business Analyst hours x \$272) = \$37,332.50. \$37,332.50 per report x 4 reports each year = \$149,330.

¹⁰⁰ \$149,330 x 44 = \$6,570,520.

have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$149,330 each), or on average, \$1,493,300 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$8,063,820.

Rule 1003(a)(2) requires each SCI entity to promptly submit a supplemental report notifying the Commission of a material error in or material omission from a report previously submitted under Rule 1003(a)(1). These reports are required to be submitted on Form SCI. The Commission estimates that each SCI entity will submit 1 supplemental report each year. The Commission estimates that the reporting burden to comply with the supplemental report requirement will be 15 hours per report per SCI entity, and, on average, 660 hours annually for all SCI entities.¹⁰¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (15 hours each annually), or 150 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1003(a)(2), including the Infrastructure Proposal, for all SCI entities would be 810 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for supplemental reports would be \$4,754 for each SCI entity,¹⁰² or, on average, \$209,176 annually for all such SCI entities.¹⁰³ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$4,754 each), or on average, \$47,540 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$256,716.

In summary, the Commission estimates that the total reporting burden for complying with Rule 1003(a) is, on average, 22,660 hours per year,¹⁰⁴ or 515 hours annually per SCI entity.¹⁰⁵ With respect to the Infrastructure Proposal, the total reporting burden will be, on average, 5,150 hours for the 10 competing consolidators (not including the current SIPs which are included in the prior estimate). The total average annual burden would be 27,810 hours for all SCI entities.

¹⁰¹ 15 hours × 44 SCI entities = 660 hours.

¹⁰² (2 Compliance Manager hours x \$307) + (2 Attorney hours x \$412) + (1 Chief Compliance Officer hours x \$526) + (7 Senior Systems Analyst hours x \$282) + (3 Senior Business Analyst hours x \$272) = \$4,754.

¹⁰³ \$4,754 x 44 = \$209,176.

¹⁰⁴ 22,000 hours for Rule 1003(a)(1) + 660 hours for Rule 1003(a)(2) = 22,660 hours.

¹⁰⁵ 22,660 hours ÷ 44 SCI entities = 515 hours per SCI entity.

h. SCI Review Required by Rule 1003(b)

Rule 1003(b) establishes recordkeeping and reporting burdens for all SCI entities.

Rule 1003(b)(1) requires each SCI entity to conduct an SCI review of its compliance with Regulation SCI not less than once each calendar year, with an exception for penetration test reviews, which are required to be conducted not less than once every three years. Rule 1003(b)(1) also provides an exception for assessments of SCI systems directly supporting market regulation or market surveillance, which are required to be conducted at a frequency based on the risk assessment conducted as part of the SCI review, but in no case less than once every three years. Rule 1003(b)(2) requires each SCI entity to submit a report of the SCI review to senior management no more than 30 calendar days after completion of the review. The Commission estimates that the annual recordkeeping burden of conducting an SCI review and submitting the SCI review to senior management of the SCI entity for review will be approximately 690 hours for each SCI entity, and, on average, 30,360 hours annually for all SCI entities.¹⁰⁶ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (690 hours each annually), or 6,900 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rules 1003(b)(1) and 1003(b)(2), including the Infrastructure Proposal, for all SCI entities would be 37,260 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$221,015 for each SCI entity,¹⁰⁷ or \$9,724,660 annually for all such SCI entities.¹⁰⁸ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$221,015 each), or on average, \$2,210,150 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$11,934,810.

Rule 1003(b)(3) requires each SCI entity to submit the report of the SCI review to the Commission and to its board of directors or the equivalent of such board, together with any

¹⁰⁶ 690 hours × 44 SCI entities = 30,360 hours.

¹⁰⁷ (35 Compliance Manager hours x \$307) + (80 Attorney hours x \$412) + (375 Senior Systems Analyst hours x \$282) + (5 General Counsel hours x \$607) + (5 Director of Compliance hours x \$483) + (20 Chief Compliance Officer hours x \$526) + (170 Internal Audit Manager hours x \$327) = \$221,015.

¹⁰⁸ \$221,015 x 44 = \$9,724,660.

response by senior management, within 60 calendar days after its submission to senior management. These reports are required to be submitted on Form SCI. The Commission estimates that each SCI entity will require approximately 1 hour per year to submit the report of the SCI review and any response by senior management to the Commission and to its board of directors or the equivalent of such board, for a reporting burden of approximately 44 hours annually for all SCI entities.¹⁰⁹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (1 hour each annually), or 10 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1003(b)(3), including the Infrastructure Proposal, for all SCI entities would be 54 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$412 for each SCI entity,¹¹⁰ or \$18,128 annually for all such SCI entities.¹¹¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$412 each), or on average, \$4,120 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$22,248.

i. Access to EFFF

Rule 1006 requires each SCI entity, with a few exceptions, to file any notification, review, description, analysis, or report to the Commission required under Regulation SCI electronically on Form SCI. SCI entities submit Form SCI through the EFFF, which is also used by SCI SROs to file Form 19b-4 filings. Access to EFFF establishes reporting burdens for all SCI entities.

An SCI entity will submit to the Commission an EAUF to register each individual at the SCI entity who will access the EFFF system on behalf of the SCI entity. The Commission is including in its burden estimates the reporting burden for completing the EAUF for each individual at an SCI entity that will request access to EFFF. The Commission estimates that initially, on average, two individuals at each SCI entity will request access to EFFF through the EAUF, and each EAUF will require 0.15 hours to complete and submit. Therefore, each new

¹⁰⁹ 1 hour × 44 SCI entities = 44 hours.

¹¹⁰ 1 Attorney hour x \$412 = \$412.

¹¹¹ \$412 x 44 = \$18,128.

SCI entity will initially require 0.3 hours to complete the requisite EAUFs,¹¹² or 0.6 hours annually for all new SCI entities.¹¹³ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 0.15 burden hours, or 0.6 burden hours annually for all such competing consolidators.¹¹⁴ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (0.3 hours each), or 1.8 hours annually for all such new SCI entities. This averages out to .125 hours per response, with 12 respondents and 2 responses per respondent. **The Commission estimates that the total average initial burden for access to EFFS, including the Infrastructure Proposal, for all such SCI entities would be 3 hours.**

The Commission estimates that the average cost associated with this initial burden would be \$124 for each new SCI entity,¹¹⁵ or \$248 annually for all such new SCI entities.¹¹⁶ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$62 for each such competing consolidator or \$248 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$124 each), or \$744 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$1,240.

The Commission also estimates that annually, on average, one individual at each SCI entity will request access to EFFS through EAUF. Therefore, the ongoing burden to complete the EAUF will be 0.15 hours annually per SCI entity,¹¹⁷ or, on average, 6.6 hours annually for all SCI entities.¹¹⁸ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same burden as other SCI entities (.15 hours each annually), or 1.5 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for access to EFFS, including the Infrastructure Proposal, for all**

¹¹² 0.15 hours per EAUF × 2 individuals = 0.3 hours per SCI entity.

¹¹³ 0.30 hours × 2 new SCI entities = 0.6 hours.

¹¹⁴ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

¹¹⁵ 0.3 Attorney hour x \$412 = \$124.

¹¹⁶ \$124 x 2 = \$248.

¹¹⁷ 0.15 hours per EAUF × 1 individual = 0.15 hours per SCI entity.

¹¹⁸ 0.15 hours × 44 SCI entities = 6.6 hours.

SCI entities would be 8.1 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing burden would be \$62 for each SCI entity,¹¹⁹ or \$2,728 annually for all such SCI entities.¹²⁰ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$62 each), or on average, \$620 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$3,348.

j. Corrective Action Required by Rule 1002(a)

Rule 1002(a) establishes recordkeeping burdens for all SCI entities.

Rule 1002(a) requires each SCI entity, upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred, to begin to take appropriate corrective action. The Commission believes that Rule 1002(a) will likely result in SCI entities developing and revising their processes for corrective action. The Commission estimates that the initial recordkeeping burden to implement such a process will be 114 hours per new SCI entity, or 228 hours annually for all new SCI entities.¹²¹ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours, or 228 burden hours annually for all such competing consolidators.¹²² Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (114 hours), or 684 hours annually for all such new SCI entities. **The Commission estimates that the total average initial burden for complying with Rule 1002(a), including the Infrastructure Proposal, for all such SCI entities would be 1,140 hours.**

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden would be \$42,528 for each new SCI entity,¹²³ or \$85,056

¹¹⁹ 0.15 Attorney hour x \$412 = \$62.

¹²⁰ \$62 x 44 = \$2,728.

¹²¹ 114 hours x 2 new SCI entities = 228 hours.

¹²² Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

¹²³ (32 Compliance Manager hours x \$307) + (32 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (10 Operations Specialist hours x \$135) + (20 Chief Compliance Officer

annually for all such new SCI entities.¹²⁴ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$21,264 for each such competing consolidator or \$85,056 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$42,528), or \$255,168 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$425,280.

The Commission also estimates that the ongoing recordkeeping burden to review such process will be 39 hours annually per SCI entity, or 1,716 hours annually for all SCI entities.¹²⁵ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (39 hours each annually), or 390 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(a), including the Infrastructure Proposal, for all SCI entities would be 2,106 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$15,397 for each SCI entity,¹²⁶ or \$677,468 for all such SCI entities.¹²⁷ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$15,397 each), or on average, \$153,970 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$831,438.

- k. Identification of Critical SCI Systems, Major SCI Events, De Minimis SCI events, and Material Systems Changes

Identification of critical SCI systems, major SCI events, de minimis SCI events, and

hours x \$526) + (10 Director of Compliance hours x \$483) = \$42,528.

¹²⁴ \$42,528 x 2 = \$85,056.

¹²⁵ 39 hours x 44 SCI entities = 1,716 hours.

¹²⁶ (9 Compliance Manager hours x \$307) + (9 Attorney hours x \$412) + (3 Senior Systems Analyst hours x \$282) + (3 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$15,397.

¹²⁷ \$15,397 x 44 = \$677,468.

material systems changes establishes recordkeeping burdens for all SCI entities.

Rule 1003(a)(1) requires each SCI entity to establish reasonable written criteria for identifying a change to its SCI systems and the security of indirect SCI systems as material.

The Commission estimates that each new SCI entity will initially require 114 hours to establish the criteria for identifying material systems changes, or 228 hours annually for all such SCI entities.¹²⁸ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours, or 228 burden hours annually for all such competing consolidators.¹²⁹ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (114 hours), or 684 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 1,140 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$42,528 for each new SCI entity,¹³⁰ or \$85,056 annually for all such new SCI entities.¹³¹ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$21,264 for each such competing consolidator or \$85,056 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$42,528), or \$255,168 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$425,280.

The Commission estimates that each SCI entity will require approximately 27 hours annually to review and update the criteria, or, on average, 1,188 hours annually for all such SCI entities.¹³² With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would

¹²⁸ 114 hours × 2 new SCI entities = 456 hours.

¹²⁹ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

¹³⁰ (32 Compliance Manager hours x \$307) + (32 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (10 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$42,528.

¹³¹ \$42,528 x 2 = \$85,056.

¹³² 27 hours × 44 SCI entities = 1,188 hours.

have the same average ongoing burden as other SCI entities (27 hours each annually), or 270 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Proposal, for all SCI entities 1,458 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$11,536 for each SCI entity,¹³³ or \$507,548 annually for all such SCI entities.¹³⁴ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$11,536 each), or on average, \$115,360 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$622,908.

Regulation SCI also requires SCI entities to identify certain types of events and systems. The Commission believes that the identification of critical SCI systems, major SCI events, and de minimis SCI events will impose an initial one-time implementation burden on new SCI entities in developing processes to quickly and correctly identify the nature of a system or event. The identification of these systems and events may also impose periodic burdens on SCI entities in reviewing and updating the processes.

The Commission estimates that each new SCI entity will require 198 hours initially to establish the criteria for identifying certain systems and events, or 396 hours annually for all such SCI entities.¹³⁵ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 99 burden hours, or 396 burden hours annually for all such competing consolidators.¹³⁶ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (198 hours), or 1,188 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 1,980 hours.

The Commission estimates that the average annual internal cost of compliance associated

¹³³ (4.5 Compliance Manager hours x \$307) + (4.5 Attorney hours x \$412) + (1.5 Senior Systems Analyst hours x \$282) + (1.5 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$11,536.

¹³⁴ \$11,536 x 44 = \$507,584.

¹³⁵ 198 hours x 2 new SCI entities = 396 hours.

¹³⁶ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

with this initial recordkeeping burden would be \$69,706 for each new SCI entity,¹³⁷ or \$139,412 annually for all such new SCI entities.¹³⁸ With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$34,853 for each such competing consolidator or \$139,412 for all such SCI entities. Six competing consolidators would have the same costs as other new SCI entities (\$69,706), or \$418,236 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$697,060.

The Commission estimates that each SCI entity will require 39 hours annually to review and update such criteria, or, on average, 1,716 hours annually for all SCI entities.¹³⁹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten competing consolidators would have the same average ongoing burden as other SCI entities (39 hours each annually), or 390 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Proposal, for all SCI entities would be 2,106 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$15,397 for each SCI entity,¹⁴⁰ or, on average, \$677,468 annually for all such SCI entities.¹⁴¹ With respect to the Infrastructure Proposal, the Commission notes that two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining ten of the twelve competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$15,397 each), or on average, \$153,970 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$831,438.

The Commission estimates that:

¹³⁷ (64 Compliance Manager hours x \$307) + (64 Attorney hours x \$412) + (20 Senior Systems Analyst hours x \$282) + (20 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$69,706.

¹³⁸ \$69,706 x 2 = \$139,412.

¹³⁹ 39 hours x 44 SCI entities = 1,716 hours.

¹⁴⁰ (9 Compliance Manager hours x \$307) + (9 Attorney hours x \$412) + (3 Senior Systems Analyst hours x \$282) + (3 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$15,397.

¹⁴¹ \$15,397 x 44 = \$677,468.

- **The total average annual initial recordkeeping burden related to establishing criteria for identifying material systems changes, and certain systems and events, including the Infrastructure Proposal, is 3,120 hours, and**
- **The total average annual ongoing recordkeeping burden related to establishing criteria for identifying material systems changes, and certain systems and events, including the Infrastructure Proposal, is 3,564 hours.**

1. Recordkeeping Required by Rules 1005 and 1007

The recordkeeping requirements establish recordkeeping burdens for SCI entities other than SCI SROs.

The Commission estimates that the burden to make, keep, and preserve records relating to compliance with Regulation SCI, as required by Rule 1005(b), will be approximately 25 hours annually per SCI entity that is not an SCI SRO. Therefore, the Commission estimates a total annual burden of 275 hours for all such SCI entities.¹⁴² With respect to the Infrastructure Proposal, the Commission estimates that 12 competing consolidators would have the same burdens as non-SCI SROs (25 hours),¹⁴³ or 300 burden hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rules 1005 and 1007, including the Infrastructure Proposal, for all such SCI entities would be 575 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$1,725 for each SCI entity that is not an SRO,¹⁴⁴ and, on average, \$18,975 annually for all such SCI entities.¹⁴⁵ With respect to the Infrastructure Proposal, the Commission estimates that 12 competing consolidators would have the same average internal cost of compliance as non-SCI SROs, (\$1,725) or \$20,700 annually for all such competing consolidators. The total annual internal cost of compliance associated with this ongoing recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$39,675.

The Commission also estimates that, for each new SCI entity other than an SCI SRO, setting up or modifying a recordkeeping system to comply with Rule 1005 will create an initial

¹⁴² 25 hours × 11 non-SRO SCI entities = 275 hours.

¹⁴³ Although four of the 10 competing consolidators are SROs or affiliated with an SRO, and would therefore generally have 50% lower initial burdens, the Commission believes that SRO competing consolidators would have the same burdens as non-SRO entities for these particular ongoing burdens.

¹⁴⁴ 25 Compliance Clerk hours x \$69 per hour = \$1,725.

¹⁴⁵ \$1,725 x 11 non-SRO SCI entities = \$18,975.

burden of 170 hours, or 170 hours annually for all new SCI entities other than SCI SROs.¹⁴⁶ With respect to the Infrastructure Proposal, the Commission estimates that six competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new non-SCI SRO entity, which will require an average of 85 burden hours, or 510 burden hours annually for all such competing consolidators.¹⁴⁷ Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new non-SCI SRO entities (170 hours), or 1,020 hours annually for all such new SCI entities. **The Commission estimates that the total average initial burden for complying with Rules 1005 and 1007, including the Infrastructure Proposal, for all such new non-SCI SRO entities would be 1,530 hours.**

The Commission estimates that the annual internal cost of compliance associated with this initial recordkeeping burden would be \$11,730 for each new SCI entity that is not an SRO.¹⁴⁸ With respect to the Infrastructure Proposal, the Commission estimates that six competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated initial burdens for a new non-SCI SRO entity (\$5,865) or \$35,190 for all such competing consolidators. Six competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new non-SCI SRO entities (\$11,730), or \$70,380 hours annually for all such new SCI entities.. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$117,300.

m. Summary of Hourly Burdens

The table below summarizes the Commission’s estimate of the total hourly burden and total internal costs of compliance for SCI entities under Regulation SCI.

Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
Policies and procedures required by Rule 1001(a) – initial burden	6,940 (Recordkeeping)	\$2,328,280 (Recordkeeping)
Policies and procedures required by Rule 1001(a) – ongoing burden	12,528 (Recordkeeping)	\$4,205,412 (Recordkeeping)

¹⁴⁶ 170 hours × 1 new non-SRO SCI entities = 170 hours.

¹⁴⁷ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

¹⁴⁸ 170 Compliance Clerk hours x \$69 per hour = \$11,730.

Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
Policies and procedures required by Rule 1001(b) – initial burden	2,700 (Recordkeeping)	\$1,015,800 (Recordkeeping)
Policies and procedures required by Rule 1001(b) – ongoing burden – SCI SRO	5,775 (Recordkeeping)	\$1,810,875 (Recordkeeping)
Policies and procedures required by Rule 1001(b) – ongoing burden – SCI non-SRO	1,995 (Recordkeeping)	\$658,455 (Recordkeeping)
Policies and procedures required by Rule 1001(c) – initial burden	1,140 (Recordkeeping)	\$425,280 (Recordkeeping)
Policies and procedures required by Rule 1001(c) – ongoing burden	2,106 (Recordkeeping)	\$839,592 (Recordkeeping)
Mandate participation in certain testing required by Rule 1004 – initial burden	3,959 (Recordkeeping)	\$1,180,278 (Recordkeeping)
Mandate participation in certain testing required by Rule 1004 – ongoing burden	7,290 (Recordkeeping)	\$1,939,950 (Recordkeeping)
SCI event notice required by Rule 1002(b)(1)	432 (Reporting)	\$133,034 (Reporting)
SCI event notice required by Rule 1002(b)(2)	6,480 (Reporting)	\$2,134,890 (Reporting)
SCI event notice required by Rule 1002(b)(3)	567 (Reporting)	\$177,106.50 (Reporting)
SCI event notice required by Rule 1002(b)(4)	9,450 (Reporting)	\$3,297,510 (Reporting)
SCI event notice required by Rule 1002(b)(5)	8,640 (Reporting)	\$2,919,348 (Reporting)

Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
Dissemination of information required by Rule 1002(c)(1)(i)	1,134 (Third Party Disclosure)	\$741,560 (Third Party Disclosure)
Dissemination of information required by Rule 1002(c)(1)(ii)	6,318 (Third Party Disclosure)	\$2,496,096 (Third Party Disclosure)
Dissemination of information required by Rule 1002(c)(2)	540 (Third Party Disclosure)	\$212,825 (Third Party Disclosure)
Material systems change notice required by Rule 1003(a)(1)	27,000 (Reporting)	\$8,063,820 (Reporting)
Material systems change notice required by Rule 1003(a)(2)	810 (Reporting)	\$256,716 (Reporting)
SCI review required by Rules 1003(b)(1) and (b)(2)	37,260 (Recordkeeping)	\$11,934,810 (Recordkeeping)
SCI review required by Rule 1003(b)(3)	54 (Reporting)	\$22,248 (Reporting)
Access to EFFF – new entities	3 (Reporting)	\$1,240 (Reporting)
Access to EFFF – existing entities	8.1 (Reporting)	\$3,348 (Reporting)
Corrective action required by Rule 1002(a) – initial burden	1,140 (Recordkeeping)	\$425,280 (Reporting)
Corrective action required by Rule 1002(a) – ongoing burden	2,106 (Recordkeeping)	\$831,438 (Reporting)
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – initial burden	3,120 (Recordkeeping)	\$1,122,340 (Recordkeeping)
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – ongoing	3,564 (Recordkeeping)	\$1,454,346 (Recordkeeping)

Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
burden		
Recordkeeping required by Rules 1005 and 1007 – initial burden	1,530 (Recordkeeping)	\$117,300 (Recordkeeping)
Recordkeeping required by Rules 1005 and 1007 – ongoing burden	575 (Recordkeeping)	\$39,675 (Recordkeeping)

13. Costs to Respondents

a. Policies and Procedures Required by Rule 1001(a)

Rule 1001(a) imposes recordkeeping costs for SCI entities. In establishing, maintaining, and enforcing the policies and procedures required by Rule 1001(a), the Commission believes that each new SCI entity will seek outside legal and/or consulting services in the initial preparation of such policies and procedures. The total annualized recordkeeping cost of seeking outside legal and/or consulting services will be \$94,000 for all new SCI entities¹⁴⁹ (\$47,000 for the first year × 2 new SCI entities), or \$47,000 per new SCI entity. With respect to the Infrastructure Proposal, the Commission estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated annualized recordkeeping cost for a new SCI entity, which would be \$23,500 for each such competing consolidator or \$94,000 for all such competing consolidators.¹⁵⁰ Six competing consolidators would have the same costs as other new SCI entities (\$47,000), or \$282,000 for all such new competing consolidators. **The total annualized recordkeeping cost, including the Infrastructure Proposal, for all such SCI entities would be \$470,000.**

b. Policies and Procedures Required by Rule 1001(b)

Rule 1001(b) imposes recordkeeping costs for SCI entities. In establishing, maintaining, and enforcing the policies and procedures required by Rule 1001(b), the Commission believes that each new SCI entity will seek outside legal and/or consulting services in the initial preparation of such policies and procedures. The total annualized cost of seeking outside legal and/or consulting services will be \$54,000 (\$27,000 for the first year × 2 new SCI entities), or \$27,000 per new SCI entity. With respect to the Infrastructure Proposal, the Commission

¹⁴⁹ See *supra* note 15.

¹⁵⁰ Because the Commission is estimating a lower initial cost for this subset of SCI entities than for other new SCI entities, the cost per respondent will reflect an average of the cost estimates for all respondents.

estimates that four competing consolidators that are currently SROs or affiliated with an SRO would each have 50% of the estimated annualized cost for a new SCI entity, which would be \$13,500 for each such competing consolidator or \$54,000 for all such competing consolidators. Six competing consolidators would have the same costs as other new SCI entities (\$27,000), or \$162,000 for all such new competing consolidators.¹⁵¹ **The total annualized recordkeeping cost, including the Infrastructure Proposal, for all such SCI entities would be \$270,000.**

c. Policies and Procedures Required by Rule 1001(c)

The Commission does not expect SCI entities to incur any external PRA costs in connection with the policies and procedures required under Rule 1001(c).

d. Mandate Participation in Certain Testing Required by Rule 1004

Rule 1004 imposes recordkeeping costs for SCI entities that are plan processors (2 SCI entities). In complying with Rule 1004, the Commission believes that plan processors will seek outside legal services. **The Commission estimates that the total annual ongoing recordkeeping cost of seeking outside legal services for compliance with Rule 1004 will be \$108,000** (\$54,000 × 2 plan processors) or \$54,000 per plan processor.

e. SCI Event Notice Required by Rule 1002(b)

Rule 1002(b) imposes reporting costs for SCI entities. The Commission estimates that while SCI entities will handle internally most of the work associated with Rule 1002(b), SCI entities will seek outside legal advice in the preparation of certain Commission notifications. The total annual reporting cost of seeking outside legal advice will be \$255,200 for all SCI entities (\$5,800 × 44 SCI entities). Because Rule 1002(b) will impose approximately 21 reporting requirements per SCI entity per year, each requirement will require an average of \$276.19.¹⁵² With respect to the Infrastructure Proposal, the total annual reporting cost of seeking outside legal advice for 10 of the 12 competing consolidators will be \$58,000 (\$5,800 × 10 competing consolidators).¹⁵³ The total annual reporting cost, including the Infrastructure Proposal, for all SCI entities would be \$313,200.

The Commission estimates the following cost burdens for each paragraph of Rule 1002(b):

¹⁵¹ Because the Commission is estimating a lower initial cost for this subset of SCI entities than for other new SCI entities, the cost per respondent will reflect an average of the cost estimates for all respondents.

¹⁵² \$5,800 per SCI entity ÷ 21 requirements = \$276.19 per requirement per SCI entity.

¹⁵³ As discussed above, two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

- **SCI event notice required by Rule 1002(b)(1): \$74,571;**
- **SCI event notice required by Rule 1002(b)(2): \$74,571;**
- **SCI event notice required by Rule 1002(b)(3): \$29,829;**
- **SCI event notice required by Rule 1002(b)(4): \$74,571; and**
- **SCI event notice required by Rule 1002(b)(5): \$59,657.**

f. Dissemination of Information Required by Rule 1002(c)

Rule 1002(c) imposes third party disclosure costs for SCI entities. The Commission believes SCI entities will seek outside legal advice in the preparation of the information dissemination under Rule 1002(c). The total annual third party disclosure cost of seeking outside legal advice will be \$146,080 (\$3,320 per SCI entity per year × 44 SCI entities). Because Rule 1002(c) will impose approximately 13 third party disclosure requirements per SCI entity per year, each requirement will require an average of \$255.38.¹⁵⁴ With respect to the Infrastructure Proposal, the total annual reporting cost of seeking outside legal advice for 10 of the 12 competing consolidators will be \$33,200 (\$3,320 x 10 competing consolidators).¹⁵⁵ The total annual reporting cost, including the Infrastructure Proposal, for all SCI entities would be approximately \$179,280.

The Commission estimates the following cost burdens for each paragraph of Rule 1002(c):

- **Dissemination of information required by Rule 1002(c)(1)(i): \$41,372;**
- **Dissemination of information required by Rule 1002(c)(1)(ii): \$124,115; and**
- **Dissemination of information required by Rule 1002(c)(2)(2): \$13,791.**

g. Material Systems Change Notice Required by Rule 1003(a)

The Commission does not expect SCI entities to incur any external PRA costs in connection with the reports required under Rule 1003(a).

h. SCI Review Required by Rule 1003(b)

¹⁵⁴ \$3,320 per SCI entity ÷ 13 requirements = \$255.38 per requirement per SCI entity.

¹⁵⁵ As discussed above, two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

Rule 1003(b) imposes recordkeeping costs for SCI entities. The Commission estimates that while SCI entities will handle internally some or most of the work associated with compliance with Rule 1003(b), SCI entities will outsource some of the work associated with an SCI review. The total annual recordkeeping cost of outsourcing will be \$2,200,000 ($\$50,000 \times 44$ SCI entities). With respect to the Infrastructure Proposal, the total annual recordkeeping cost of outsourcing for 10 of the 12 competing consolidators will be \$500,000 ($\$50,000 \times 10$ competing consolidators).¹⁵⁶ **The total annual recordkeeping cost, including the Infrastructure Proposal, for all SCI entities would be \$2,700,000.**

i. Access to EFFS

As noted above, Rule 1006 requires each SCI entity, with a few exceptions, to file any notification, review, description, analysis, or report to the Commission required under Regulation SCI electronically on Form SCI. Obtaining the ability for an individual to electronically sign a Form SCI imposes reporting costs for SCI entities. The Commission estimates that each SCI entity will designate two individuals to sign Form SCI each year, and each such individual must obtain a digital ID at the cost of approximately \$25 each year. Therefore, each SCI entity will require \$50 annually to obtain digital IDs,¹⁵⁷ or \$2,200 for all SCI entities.¹⁵⁸ With respect to the Infrastructure Proposal, the Commission estimates that the total cost annually to obtain digital IDs for 10 of the 12 competing consolidators would be \$500.¹⁵⁹ **The total annual cost, including the Infrastructure Proposal, for all SCI entities would be \$2,700.**

j. Corrective Action Required by Rule 1002(a)

The Commission does not expect SCI entities to incur any external PRA costs in connection with the requirement to take corrective actions under Rule 1002(a).

k. Identification of Critical SCI Systems, Major SCI Events, De Minimis SCI events, and Material Systems Changes

The Commission does not expect SCI entities to incur any external PRA costs in connection with the identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes.

¹⁵⁶ As discussed above, two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

¹⁵⁷ $\$25$ per digital ID \times 2 individuals = $\$50$.

¹⁵⁸ $\$50$ per SCI entity \times 44 SCI entities = $\$2,200$.

¹⁵⁹ As discussed above, two of the 12 competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

1. Recordkeeping Required by Rules 1005 and 1007

The recordkeeping requirements impose recordkeeping costs for SCI entities other than SCI SROs. The Commission estimates that a new SCI entity other than an SCI SRO will incur a one-time recordkeeping cost of \$900 to set up or modify an existing recordkeeping system to comply with the recordkeeping requirements.¹⁶⁰ In addition, with respect to the Infrastructure Proposal, the Commission estimates that 12 competing consolidators would have the same recordkeeping cost as non-SCI SROs, (\$900) or \$10,800 annually for all such competing consolidators.¹⁶¹ **The total recordkeeping cost, including the Infrastructure Proposal, would be \$11,700 for all SCI entities.**

m. Summary of Cost Burdens

The table below summarizes the Commission’s estimate of the total cost burden for SCI entities under Regulation SCI.

Nature of Information Collection Burden	Burden Estimate in Dollars
Policies and procedures required by Rule 1001(a)	\$470,000 (Recordkeeping)
Policies and procedures required by Rule 1001(b)	\$270,000 (Recordkeeping)
Mandate participation in certain testing required by Rule 1004	\$108,000 (Recordkeeping)
SCI event notice required by Rule 1002(b) - This requirement is broken out into the following individual ICs: Paragraph (b)(1): Paragraph (b)(2): Paragraph (b)(3): Paragraph (b)(4): Paragraph (b)(5):	\$313,200 (Sum Total) (Reporting) \$74,571 \$74,571 \$29,829 \$74,571 \$59,657

¹⁶⁰ See supra note 146 (estimating 1 new non-SRO SCI entity per year).

¹⁶¹ See supra note 143. Unlike other requirements where the existing SIPs who will become competing consolidators were found to have no initial burden and existing SROs or entities affiliated with SROs were found to have a reduced initial burden because they will be conducting the same type of business as a competing consolidator and have already incurred the initial burdens, this requirement applies only to non-SCI SROs, so all the existing SIPs did not previously have to comply with this requirement and have been included in the estimated burdens (i.e., all 12 competing consolidators will incur this full burden).

Nature of Information Collection Burden	Burden Estimate in Dollars
Dissemination of information required by Rule 1002(c) - This requirement is broken out into the following ICs: Paragraph (c)(1)(i): Paragraph (c)(1)(ii): Paragraph (c)(2)(2):	\$179,280 (Sum Total) (Third Party Disclosure) \$41,372 \$124,115 \$13,791
SCI review required by Rules 1003(b)(1) and (b)(2)	\$2,700,000 (Recordkeeping)
Access to EDFS	\$2,700 (Reporting)
Recordkeeping required by Rules 1005 and 1007 – initial burden	\$11,700 (Recordkeeping)

14. Costs to Federal Government

The Commission expects to incur ongoing maintenance costs. Third party contractors will perform most of the work except for some testing and project management, which will be performed by Commission staff. The Commission estimates that the total costs for these third party contractors will be \$180,000 annually.

In addition, the Commission believes that the costs to the federal government associated with Regulation SCI reflect the resources, both human and technological, of the Technology Controls Program.

15. Changes in Burden

The estimated burdens have been adjusted to reflect that the initial paperwork burden estimates were in regard to adopting new requirements for all respondents. As all those initial respondents have incurred the initial burdens associated with Regulation SCI, the number of respondents currently estimated to incur initial burdens is substantially lower and reflects the estimated 2 new SCI entities per year. Further, estimates have been revised based on data obtained since Regulation SCI was adopted in 2014 regarding the number of SCI events and associated SCI notifications.

The Commission has revised its burden estimates for the collections of information, as summarized in this chart:

Name of Information Collection	Annual Industry Burden Hours or Cost	Annual Industry	Change in Burden Hours or Cost	Reason for Change
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		Burden Hours or Cost Previously Reviewed		
Policies and procedures required by Rule 1001(a) – initial burden	6,940/\$470,000	1,388/\$94,000	5,552/\$376,000	Proposed amendment to the rule
Policies and procedures required by Rule 1001(a) – ongoing burden	12,528	10,208	2,320	Proposed amendment to the rule
Policies and procedures required by Rule 1001(b) – initial burden	2,700/\$270,000	540/\$54,000	2,160/\$216,000	Proposed amendment to the rule
Policies and procedures required by Rule 1001(b) – ongoing burden – SCI SRO	5,775	5,775	0	
Policies and procedures required by Rule 1001(b) – ongoing burden – SCI non-SRO	1,995	1,045	950	Proposed amendment to the rule
Policies and procedures required by Rule 1001(c) – initial burden	1,140	228	912	Proposed amendment to the rule
Policies and procedures required by Rule 1001(c) – ongoing burden	2,106	1,716	390	Proposed amendment to the rule
Mandate participation in certain testing required by Rule 1004 – initial burden	3,960	720	3,240	Proposed amendment to the rule
Mandate participation in certain testing required by Rule 1004 – ongoing burden	7,290/\$108,000	5,670/\$108,000	1,620/\$0	Proposed amendment to the rule

SCI event notice required by Rule 1002(b)(1)	432/\$313,200 ¹⁶²	352/\$255,200	80/\$58,000	Proposed amendment to the rule
SCI event notice required by Rule 1002(b)(2)	6,480	5,280	1,200	Proposed amendment to the rule
SCI event notice required by Rule 1002(b)(3)	567	462	105	Proposed amendment to the rule
SCI event notice required by Rule 1002(b)(4)	9,450	7,700	1,750	Proposed amendment to the rule
SCI event notice required by Rule 1002(b)(5)	8,640	7,040	1,600	Proposed amendment to the rule
Dissemination of information required by Rule 1002(c)(1)(i)	1,134/\$179,280 ¹⁶³	924/\$146,080	210/\$33,200	Proposed amendment to the rule
Dissemination of information required by Rule 1002(c)(1)(ii)	6,318	5,148	1,170	Proposed amendment to the rule
Dissemination of information required by Rule 1002(c)(2)	540	440	100	Proposed amendment to the rule
Material systems change notice required by Rule 1003(a)(1)	27,000	22,000	5,000	Proposed amendment to the rule
Material systems change notice required by Rule 1003(a)(2)	810	660	150	Proposed amendment to the rule
SCI review required by Rules 1003(b)(1) and (b)(2)	37,260/\$2,700,000	30,360/\$2,200,000	6,900/\$500,000	Proposed amendment to the rule

¹⁶² This estimate reflects the total reporting costs for complying with all of Rule 1002(b), including subparagraphs (b)(1) through (b)(5).

¹⁶³ This estimate reflects the total reporting costs for complying with all of Rule 1002(c), including subparagraphs (c)(1) through (c)(2).

SCI review required by Rule 1003(b)(3)	54	44	10	Proposed amendment to the rule
Access to EFFF – new entities	3	0.6	2.4	Proposed amendment to the rule
Access to EFFF – existing entities	8.1/\$2,700	6.6/\$2,200	1.5/\$500	Proposed amendment to the rule
Corrective action required by Rule 1002(a) – initial burden	1,140	228	912	Proposed amendment to the rule
Corrective action required by Rule 1002(a) – ongoing burden	2,106	1,716	390	Proposed amendment to the rule
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – initial burden	3,120	624	2,496	Proposed amendment to the rule
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – ongoing burden	3,564	2,904	660	Proposed amendment to the rule
Recordkeeping required by Rules 1005 and 1007 – initial burden	525	170	355	Proposed amendment to the rule
Recordkeeping required by Rules 1005 and 1007 – ongoing burden	1,539/\$11,700	275/\$900	1,264/\$10,800	Proposed amendment to the rule

16. Information Collections Planned for Statistical Purposes

Not applicable. The information collections above are not planned for statistical purposes.

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form. 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. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.