

**SUPPORTING STATEMENT FOR NEW AND  
REVISED INFORMATION COLLECTIONS**

**Swap Dealer and Major Swap Participant Conflicts of Interest and Business Conduct  
Standards with Counterparties**

**OMB CONTROL NUMBER 3038-0079**

**Justification**

- 1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

Section 731 of Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act, Pub L. No. 111-203, 124 Stat. 1376 (2010)) amended the Commodity Exchange Act (CEA) to add sections 4s(h) and 4s(j)(5) (7 U.S.C. 6s(h) and (j)(5)) which provide the Commodity Futures Trading Commission (Commission) with both mandatory and discretionary rulemaking authority to impose business conduct requirements on swap dealers and major swap participants in their dealings with counterparties, including “Special Entities,”<sup>1</sup> and require that each swap dealer and major swap participant implement conflicts of interest systems and procedures. Congress granted the Commission broad discretionary authority to promulgate business conduct requirements, as appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the CEA.<sup>2</sup>

Accordingly, the Commission has adopted Subpart H of Part 23 of its regulations (EBCS Rules) and Commission regulation 23.605,<sup>3</sup> requiring swap dealers and major swap participants to follow specified procedures and provide specified disclosures in their dealings with

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<sup>1</sup> Such entities are generally defined to include Federal agencies, States and political subdivisions, employee benefit plans as defined under the Employee Retirement Income Security Act of 1974 (ERISA), governmental plans as defined under ERISA, and endowments.

<sup>2</sup> See CEA Section 4s(h)(3)(D) (“Business conduct requirements adopted by the Commission shall establish such other standards and requirements as the Commission may determine are appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of [the CEA]”); *see also* CEA Sections 4s(h)(1)(D), 4s(h)(5)(B) and 4s(h)(6).

<sup>3</sup> 17 CFR Part 23, Subpart H and 17 CFR 23.605. Subpart H of Part 23 is titled “Business Conduct Standards for Swap Dealers and Major Swap Participants Dealing with Counterparties, Including Special Entities.” Subpart H includes the following provisions: § 23.400 (Scope); § 23.401 (Definitions); § 23.402 (General Provisions); § 23.410 (Prohibition on fraud, manipulation and other abusive practices); § 23.430 (Verification of counterparty eligibility); § 23.431 (Disclosures of material information); § 23.432 (Clearing disclosures); § 23.433 (Communications—fair dealing); § 23.434 (Recommendations to counterparties—institutional suitability); § 23.440 (Requirements for swap dealers acting as advisors to Special Entities); § 23.450 (Requirements for swap dealers and major swap participants acting counterparties to Special Entities); and § 23.451 (Political contributions by certain swap dealers). § 23.605 is titled Conflicts of interest policies and procedures.

counterparties, to adopt and implement conflicts of interest procedures and disclosures, and to maintain specified records related to those requirements.

In addition, the Commission recently finalized certain exceptions from the EBCS Rules for certain foreign swaps in § 23.23(e).<sup>4</sup> To the extent a swap dealer or major swap participant avails itself of one or more of these exceptions, when effective, § 23.23(h)(1) imposes information collection requirements in lieu of such requirements in the EBCS Rules.<sup>5</sup>

The information collection obligations imposed by the regulations are essential to ensuring that swap dealers and major swap participants develop and maintain procedures and disclosures required by the CEA and Commission regulations.

- 2. Indicate how, by whom, and for what purpose the data would be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

The required records will be used by Commission staff to evaluate the procedures and disclosures required by the CEA and Commission regulations.

- 3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

The regulation requires that recordkeeping be performed in accordance with Commission regulation 1.31, which permits the use of electronic regulatory records.

- 4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

The required information is not already collected by the Commission for any other purpose, collected by any other agency, or available for public disclosure through any other source.

- 5. If the collection of information involves small business or other small entities (Item 5 of OMB From 83-I), describe the methods used to minimize burden.**

The collection of the required information does not involve any small businesses or small entities.

- 6. Describe the consequence to the Federal Program or policy activities if the collection were conducted less frequently as well as any technical or legal obstacles to reducing burden.**

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<sup>4</sup>17 CFR 23.23(e). See Cross-Border Application of the Registration Thresholds and Certain Requirements Applicable to Swap Dealers and Major Swap Participants, 85 FR 56924 (Sep. 14, 2020).

<sup>5</sup> 17 CFR 23.23(h)(1).

The regulation does not impose any reporting requirements.

Failure to maintain the policies, procedures and other records required by the regulation would adversely affect the Commission's ability to ensure the compliance of swap dealers and major swap participants with their business conduct and conflict of interest obligations under the CEA and Commission regulations.

**7. Explain any special circumstances that require the collection to be conducted in a manner:**

- **requiring respondents to report information to the agency more often than quarterly;**

This question does not apply. The regulation does not impose reporting requirements.

- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it:**

This question does not apply.

- **requiring respondents to submit more than an original and two copies of any document;**

This question does not apply. The regulation does not impose reporting requirements.

- **requiring respondents to retain records other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;**

Commission regulation 1.31(b) expressly requires that books and records required to be kept by the CEA or Commission regulations be retained for certain specified periods. Other than with respect to oral communications, the shortest of these periods is five years from the date of creation.

- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**

This question does not apply. The regulation neither requires nor involves any statistical surveys.

- **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**

This question does not apply. The regulation neither requires nor involves the use of any statistical data classification.

- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**

This question does not apply. The regulation does not require a pledge of confidentiality.

- **requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

This question does not apply. The regulation does not impose reporting requirements. In any event, the Commission has promulgated regulations to protect the confidentiality of any information collected from respondents. Such regulations are set forth in 17 CFR Parts 145 and 147.

- 8. If applicable, provide a copy and identify the date and page number of publication in the *Federal Register* of the agency's notice required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

A copy of the Federal Register notice soliciting comments on this information collection (85 FR 43821, July 20, 2020) is attached (“60-Day Notice”). No relevant comments were received.

**Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping disclosure, or reporting format (if any, and on the data elements to be recorded, disclosed, or reported).**

As set forth above, the Commission affirmatively sought comments on the information collection requirements described herein.

**Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

No such circumstances are anticipated.

- 9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

This question does not apply.

- 10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulations, or agency policy.**

The Commission does not provide respondents with an assurance of confidentiality. The Commission fully complies with section 8(a)(1) of the Commodity Exchange Act, which strictly prohibits the Commission, unless specifically authorized by the Commodity Exchange Act, from making public “data and information that would separately disclose the business transactions or market positions of any person and trade secrets or names of customers.” The Commission has procedures to protect the confidentiality of an applicant’s or registrant’s data. These are set forth in the Commission’s regulations at parts 145 and 147 of title 17 of the Code of Federal Regulations.

- 11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

This question does not apply. The regulation does not request nor require the provision of sensitive information, as that term is used in question 11.

- 12. Provide estimates of the hour burden of the collection of information. The Statement should:**

- Indicate the number of respondents, frequency of response, annual hour burden and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than ten) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
- If the request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.**
- Provide estimates of annualized cost to respondents for the hours burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.**

See Attachment A.

The annualized costs per affected registrant and in the aggregate were determined using an average salary of \$100.00 per hour. The Commission believes that this is an appropriate salary estimate for purposes of this regulation.

In support of this determination, the Commission notes that the salary estimate is based upon May 2019 National Occupational Employment and Wage Estimates, United States, including the mean hourly wage of an employee under occupation code 23-1011, "Lawyers," that is employed by the "Securities, Commodity Contracts, and Other Financial Investments and Related Activities Industry," which is \$92.59; the mean hourly wage of an employee under occupation code 11-3031, "Financial Managers," in the same industry, which is \$90.41; and the mean hourly wage of an employee under occupation code-13-1041, "Compliance Officers" in the same industry, which is \$38.29.

The Commission also notes that it took the foregoing data and then increased its hourly wage estimate in recognition of the fact that some respondents may be large financial institutions

whose employees' salaries may exceed the mean wage. In addition, the Commission recognizes that some respondents may hire outside counsel with expertise in the various regulatory areas covered by the regulation and that outside counsel may be able to leverage its expertise to substantially reduce the number of hours needed to fulfill a requested assignment. While the Commission is uncertain about the billing rates that these respondents may pay for outside counsel, the Commission believes that such counsel may bill at a rate of several hundred dollars per hour. Any determination to use outside counsel, however, is at the discretion of the respondent.

As detailed in Attachment A, the Commission estimates the overall burden to be approximately 2,352.9 hours per year per swap dealer and major swap participant, at an annual cost of approximately \$235,290 [2,352.9 hrs. × \$100 per hour]. The aggregate cost for all swap dealers and major swap participants is approximately 256,470 burden hours and \$25,647,000 [256,470 hrs. × \$100 per hour]. This burden results from the recordkeeping, disclosure and optional reporting provisions of the regulations listed in Attachment A. The burden hours are not anticipated to vary widely among registrants.

**13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).**

- **The cost estimate should be split into two components; (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major costs factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software, monitoring, sampling, drilling and testing equipment, and record storage facilities.**
- **If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate, agencies may consult with a sample of respondents (fewer than ten), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.**
- **Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.**

The information collection required by the regulation does not involve any capital or start-up capital, operations or maintenance costs as the Commission anticipates that swap dealers and

major swap participants already maintain mechanisms to preserve records of their compliance with regulatory requirements as part of their customary or usual business practices.

- 14. Provide estimates of the annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.**

The regulation does not impose any regular reporting requirements. Accordingly, the regulation would not impose any additional costs to the Federal Government.

- 15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.**

The Commission is amending the information collection under OMB Control No. 3038-0079 based on the current number of registered swap dealers. Specifically, the change for the renewal is based solely on the increased number of entities registered as swap dealers (102 at the last renewal and 109 as of September 9, 2020), since the burden hour per respondent remains the same, at approximately 2,352.9 hours. The total annual burden hour estimate in the 60-Day Notice, at 251,765 hours, was based on 107 entities registered as SDs. As this number has increased to 109 (and, just as before, there are currently no entities registered as major swap participants), the total annual burden hour estimate of 256,470 reflects this increase.

- 16. For collection of information whose results are planned to be published for statistical use, outline plans for tabulation, statistical analysis, and publication. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

This question does not apply.

- 17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

This question does not apply.

- 18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.**

This question does not apply.

**Attachment A**

**Part 23 – Swap Dealer and Major Swap Participant Conflicts of Interest and Business Conduct Standards with Counterparties**

**OMB Collection File 3038-0079**

**Annual Estimated Burdens**

<b>Regulation</b>	<b>Estimated # of Registrants Per Year</b>	<b># of Annual Responses Per Registrant</b>	<b>Total #Annual Responses</b>	<b>Estimated Average # of Hours Per Response (Rounded )</b>	<b>Estimated Total # of Hours of Annual Burden in Fiscal Year (Rounded)</b>	<b>Estimated Annual Cost Per Registrant (\$100/hr)</b>
23.605 Recordkeeping	109	21	2,289	0.6	1,308	\$1,200
23.605 Disclosure	109	65	7,085	0.5	3,543	\$3,250
23.402 Recordkeeping <sup>6, 7</sup>	109	252	27,468	4.3	118,810	\$109,000
23.430 Disclosure <sup>7</sup>	109	1	109	1.0	109	\$100
23.431 Disclosure <sup>7</sup>	109	1,000	109,000	1.2	130,739	\$119,944
23.432 Disclosure <sup>7</sup>	109	1	109	1.0	109	\$100
23.434 Disclosure <sup>7</sup>	109	1	109	1.0	109	\$100
23.440 Disclosure <sup>7</sup>	109	1	109	1.0	109	\$100
23.450 Disclosure <sup>7</sup>	109	1	109	10.0	1,090	\$1,000
23.451 Reporting <sup>7,8</sup>	109	1	109	5.0	545	\$500
<b>Total</b>					<b>256,470</b>	<b>\$235,294</b>

<sup>6</sup> This burden includes all recordkeeping required under the EBCS Rules other than that already included under OMB collection 3038-0087 in relation to records of communications under Commission regulation 23.202.

<sup>7</sup> The Commission expects the paperwork burden of § 23.23(h)(1), where applicable, in relation to exceptions from the EBCS Rules in § 23.23(e) would be less than that of the EBCS Rules. However, in an effort to be conservative, because the Commission does not know how many swap dealers and/or major swap participant will choose to avail themselves of the exceptions in § 23.23(e) and for how many of their swaps, the Commission is not reducing the estimated burden of these rules to reflect the availability of such exceptions.

<sup>8</sup> Reporting under Commission regulation 23.451 (Political contributions by certain swap dealers) is optional and it is unknown how many registrants, if any, will engage in such reporting and how much burden, if any, will be incurred. Nevertheless, the Commission is providing this estimate of the regulation’s burden for purposes of the Paperwork Reduction Act.