

**SUPPORTING STATEMENT for the Paperwork Reduction Act Information Collection  
Submission for Amendments to the National Market System Plan Governing the  
Consolidated Audit Trail to Enhance Data Security**

**New Request—Proposed Rule**

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

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

The Securities and Exchange Commission (“Commission” or “SEC”) recently proposed amendments to the national market system plan governing the consolidated audit trail (“the CAT”), which was originally filed with the Commission in 2015 to comply with the requirements of Rule 613.<sup>1</sup> The Commission adopted Rule 613 in 2012 to improve the completeness, accuracy, accessibility, and timeliness of existing audit trail systems.<sup>2</sup> Rule 613 directed each national securities exchange and national securities association (collectively, the “Participants”) to create a national market system plan to adopt a consolidated audit trail (the “CAT NMS Plan”),<sup>3</sup> and this plan was approved by the Commission on November 15, 2016.<sup>4</sup> The consolidated audit trail (the “CAT”) was intended to create a system that provides regulators with more timely access to a sufficiently comprehensive set of trading data, enabling regulators to more efficiently and effectively reconstruct market events, monitor market behavior, and identify and investigate misconduct.<sup>5</sup>

The CAT NMS Plan approved by the Commission already sets forth a number of requirements regarding the security and confidentiality of CAT Data.<sup>6</sup> Nevertheless, the Commission believes that it can and should take additional steps to further protect the security and confidentiality of CAT Data. Accordingly, pursuant to the statutory authority provided by

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<sup>1</sup> See 17 CFR 242.613; See also Securities Exchange Act Release No. 67457 (July 18, 2012), 77 FR 45722, 45722 (August 1, 2012) (“Rule 613 Adopting Release”).

<sup>2</sup> See *id.*

<sup>3</sup> *Id.*

<sup>4</sup> See Securities Exchange Act Release No. 78318 (November 15, 2016), 81 FR 84696 (November 23, 2016) (“CAT NMS Plan Approval Order” or “CAT NMS Plan”).

<sup>5</sup> See Rule 613 Adopting Release, *supra* note 2, at 45723, 45730-33.

<sup>6</sup> “CAT Data” means “data derived from Participant Data, Industry Member Data, SIP Data, and such other data as the Operating Committee may designate as “CAT Data” from time to time.” See CAT NMS Plan, *supra* note 4, at Section 1.1.

the Exchange Act,<sup>7</sup> including Sections 11A(a)(3)(B),<sup>8</sup> 17(a),<sup>9</sup> 19(b),<sup>10</sup> and 23(a)<sup>11</sup> thereof, and pursuant to Rule 608(a)(2) and (b)(2),<sup>12</sup> the Commission proposed to amend the CAT NMS Plan to enhance the security of CAT Data on [date].<sup>13</sup>

The proposed amendments to the CAT NMS Plan would require 31 new collections of information, and these collections of information will cover ten (10) data security areas:

- a. Evaluation of the Comprehensive Information Security Plan. Section 6.6(b)(ii)(B)(3) of the CAT NMS Plan currently requires the Chief Compliance Officer<sup>14</sup> (the “CCO”) to oversee the regular written assessment of the performance of the Plan Processor.<sup>15</sup> The proposed amendments would newly require the CCO to evaluate elements of the Comprehensive Information Security Program (the “CISP”) that relate to secure analytical workspaces (“SAWs”) that would be provided by the Plan Processor under the proposed amendments. The proposed amendments would also newly require the CCO, in collaboration with the Chief Information Security Officer (the “CISO”),<sup>16</sup> to include in this evaluation a review of the quantity and type of CAT Data extracted from the CAT System<sup>17</sup> to assess the security risk of permitting such CAT Data

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<sup>7</sup> See 15 U.S.C. 78a.

<sup>8</sup> See 15 U.S.C. 78k-1(a)(3)(B).

<sup>9</sup> See 15 U.S.C. 78q(a).

<sup>10</sup> See 15 U.S.C. 78s(b).

<sup>11</sup> See 15 U.S.C. 78w(a).

<sup>12</sup> See 17 CFR 242.608(a)(2), (b)(2).

<sup>13</sup> See Securities Exchange Act Release No. \_\_ (date), \_\_ FR \_\_ (date) (File No. \_\_) (“Proposing Release”).

<sup>14</sup> “Chief Compliance Officer” means “the individual then serving (even on a temporary basis) as the Chief Compliance Officer pursuant to Section 4.6, Section 6.1(b), and Section 6.2(a).” See CAT NMS Plan, *supra* note 4, at Section 1.1.

<sup>15</sup> “Plan Processor” means “the Initial Plan Processor or any other Person selected by the Operating Committee pursuant to SEC Rule 613 and Sections 4.3(b)(i) and 6.1, and with regard to the Initial Plan Processor, the Selection Plan, to perform the CAT processing functions required by SEC Rule 613 and set forth in this Agreement.” See *id.*

<sup>16</sup> “Chief Information Security Officer” means “the individual then serving (even on a temporary basis) as the Chief Information Security Officer pursuant to Section 4.6, Section 6.1(b), and Section 6.2(b).” See *id.*

<sup>17</sup> “CAT System” means “all data processing equipment, communications facilities, and other facilities, including equipment, utilized by the Company or any third parties acting

to be extracted and to identify any appropriate corrective measures. The Participants, under the existing provisions of the CAT NMS Plan, would be entitled to review and comment on these new elements of the written assessment of the Plan Processor's performance.

- b. Security Working Group. Proposed Section 4.12(c) would require the proposed Security Working Group to advise the CISO and the Operating Committee,<sup>18</sup> including with respect to certain information security and technology issues. The proposed amendments would also require the CISO to apprise the Security Working Group of relevant developments and to provide it with all information and materials necessary to fulfill its purpose.
- c. SAWs. There are a number of information collections related to the proposed SAWs, all of which are set forth in proposed Section 6.13.
  - i. Policies, Procedures, and Detailed Design Specifications. Proposed Section 6.13(a) would require the Plan Processor to develop a CISP that would apply to SAWs and, more specifically, that would include data access and extraction policies and procedures and security controls, policies, and procedures for SAWs. Under proposed Section 6.13(b), the Plan Processor would also be required to develop, maintain, and make available to Participants detailed design specifications for the technical implementation of the access, monitoring, and other controls required for SAWs by the CISP.
  - ii. Implementation and Operation Requirements. Proposed Section 6.13(b) would also require the Plan Processor to notify the Operating Committee once a Participant's SAW has achieved compliance with the detailed design specifications. In addition, the Plan Processor would be required under proposed Section 6.13(c) to monitor each Participant's SAW in accordance with these detailed design specifications and to notify the Participant of any identified non-compliance with the CISP or the detailed design specifications.

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on the Company's behalf in connection with operation of the CAT and any related information or relevant systems pursuant to this Agreement." See id.

<sup>18</sup> "Operating Committee" means "the governing body of the Company designated as such and described in Article IV." See id. The Operating Committee consists of one voting member representing each Participant and one alternative voting member representing each Participant who has the right to vote in the absence of that Participant's voting member of the Operating Committee. See id. at Section 4.2.

- iii. Non-SAW Environments. Proposed Section 6.13(d) would require Participants seeking an exception from certain SAW usage requirements to provide the CISO, the CCO, the members of the Security Working Group (and their designees), and Commission observers of the Security Working Group with various application materials. The CISO and CCO would then be required to review these materials and to issue a determination in accordance with policies and procedures developed by the Plan Processor. As part of this process, the CISO and the CCO would be required to provide the requesting Participant with a detailed written explanation setting forth the reasons for that determination and, for applications that are denied, to specifically identify the deficiencies that must be remedied before an exception could be granted. Finally, the proposed amendments would set forth certain implementation and operation requirements for approved non-SAW environments that largely mirror those set forth for SAWs, as well as a requirement that the Participant notify the Plan Processor, the Security Working Group (and their designees), and Commission observers of the Security Working Group of any material changes to its security controls for the non-SAW environment.
  
- d. Online Targeted Query Tool and Logging of Access and Extraction. The CAT NMS Plan currently requires the targeted online query tool to log submitted queries, query parameters, the user ID of the submitter, the date and time of the submission, and the delivery of results,<sup>19</sup> and requires that the Plan Processor provides monthly reports based on this information to each Participant, the SEC and the Operating Committee. The Commission proposes to modify these requirements by defining the term “delivery of results” as “the number of records in the result(s) and the time it took for the query to be performed” and requiring that access and extraction of CAT Data be logged.<sup>20</sup> This change would also require the same logging of access and extraction of CAT Data from user-defined direct queries and bulk extraction tools.
  
- e. Customer and Account Attributes. There are a two information collections related to the proposed amendments regarding Customer and Account Attributes.

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<sup>19</sup> See CAT NMS Plan, supra note 4, at Appendix D, Section 8.1.1.

<sup>20</sup> See proposed Appendix D, Section 8.1.1.

- i. Reporting the Transformed Value. The CAT NMS Plan currently requires that Industry Members<sup>21</sup> report a Customer’s SSN or ITIN as part of the information necessary for the Plan Processor to create a Customer-ID.<sup>22</sup> The Commission proposes to amend the Plan to require the Participants to adopt compliance rules to require Industry Members to use the CCID Transformation Logic<sup>23</sup> in conjunction with an API provided by the Plan Processor, to transform their Customer’s SSN/ITIN using the CCID Transformation Logic to create a Transformed Value and then report that Transformed Value to the CCID Subsystem. Once the Transformed Value is reported to the CCID Subsystem, the CCID Subsystem would perform another transformation of the Transformed Value to create a globally unique Customer-ID for each Customer.
  - ii. Regular Written Assessment. The CAT NMS Plan currently requires the CCO to oversee the Regular Written Assessment of the Plan Processor’s performance, which must be provided to the Commission at least annually and which must include an evaluation of the performance of the CAT.<sup>24</sup> The Commission proposes to amend the Plan to require that the overall performance and design of the CCID Subsystem and the process for creating Customer-ID(s) be included in the annual Regular Written Assessment of the Plan Processor, as required by Article VI, Section 6.6(b)(ii)(A).
- f. Customer Identifying Systems Workflow. There are a two information collections related to the proposed amendments regarding the Customer Identifying Systems:
- i. Audit Trail. The current CAT NMS Plan requires that a full audit trail of PII access (who accessed what data, and when) be

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<sup>21</sup> “Industry Member” is a defined term under the CAT NMS Plan and means “a member of a national securities exchange or a member of a national securities association.” See CAT NMS Plan supra note 4 at Article I, Section 1.1.

<sup>22</sup> See CAT NMS Plan, supra note 4, at Appendix D, Section 9.1

<sup>23</sup> “CCID Transformation Logic” would be defined to mean the mathematical logic identified by the Plan Processor that accurately transforms an ITIN/SSN/EIN into a Transformed Value(s) for submission to the CCID Subsystem as set forth in Appendix D, Section 9.1. The Commission is proposing that the CCID Transformation Logic will be embedded in the CAT Reporter Portal or used by the Industry Member in machine to machine processing. See proposed Appendix D, Section 9.1.

<sup>24</sup> See CAT NMS Plan, supra note 4, Section 6.6(b)(ii)(A).

maintained, and that the CCO and the CISO have access to daily PII reports that list all users who are entitled to PII access, as well as the audit trail of all PII access that has occurred for the day.<sup>25</sup> The proposed amendments require that the Plan Processor maintain an audit trail of access to Customer Identifying Systems by each Participant and the Commission (who accessed what data within each Participant, and when), and to require that the Plan Processor maintain the full audit trail of access and provide such audit trail to each Participant and the Commission for their respective users on a monthly basis. The amendments also will require that the CCO and the CISO to provide the daily reports that list all users who are entitled to Customer Identifying Systems access be provided to the Operating Committee on a monthly basis.

- ii. Application for Programmatic Access. The proposed amendments require that each Participant submit an application that has been approved by the Participant’s Chief Regulatory Officer (or similarly designated head(s) of regulation) to the Commission for authorization to use Programmatic Customer and Account Information System (“CAIS”) Access or Programmatic CCID Subsystem Access if a Participant requires programmatic access.
  
- g. Data Confidentiality Policies, Procedures and Usage Restrictions. The Commission is proposing to amend Section 6.5(g)(i) of the CAT NMS Plan to modify and enhance existing provisions and require the Participants to create and maintain identical confidentiality and related policies (“Data Confidentiality Policies”). There are three information collections related to the proposed Data Confidentiality Policies:
  - i. Data Confidentiality Policies – Identical Policies. Proposed Section 6.5(g)(iv) would require that that the Data Confidentiality Policies be identical and made publicly available on each of the Participants’ websites, or collectively on the CAT NMS Plan website, redacted of sensitive proprietary information. The Commission proposes Sections 6.2(a)(v)(R) and 6.2(b)(viii) in the CAT NMS Plan to require that both the CISO and CCO of the Plan Processor be required to review the Data Confidentiality Policies. In addition, the Commission proposes to require that the CCO of the Plan obtain assistance and input from the Compliance Subcommittee, and require that the policies required by proposed Section 6.5(g)(i) of the CAT NMS Plan be subject to review and approval by the Operating Committee, after review by the CISO and CCO.

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<sup>25</sup> See CAT NMS Plan, supra note 4, Appendix D, Section 4.1.6 (PII Data Requirements).

- ii. Data Confidentiality Policies – Procedures and Usage Restrictions. Proposed Section 6.5(g)(i) would require each Participant to establish, maintain and enforce procedures and usage restriction controls in accordance with the Data Confidentiality Policies. Proposed Section 6.5(g)(ii) would require the Participant to periodically review the effectiveness of the policies and procedures and usage restriction controls required by Section 6.5(g)(i), including by using the monitoring and testing protocols documented within the policies pursuant to Section 6.5(g)(i)(K), and take prompt action to remedy deficiencies in such policies, procedures and usage restriction controls. In addition, proposed Section 6.5(g)(iii) would require that each Participant, as reasonably practicable, and in any event within 24 hours, report to the Chief Compliance Officer, in accordance with the guidance provided by the Operating Committee, any instance of which such Participant becomes aware of: (A) noncompliance with the policies and procedures adopted by such Participant pursuant to Section 6.5(g)(i); or (B) a breach of the security of the CAT.
- iii. Data Confidentiality Policies – Examination Report. Proposed Section 6.5(g)(v) would require that, on an annual basis, each Participant engage an independent accountant to perform an examination of compliance with the policies required by Section 6.5(g)(i) in accordance with attestation standards of the American Institute of Certified Public Accountants (“AICPA”) (referred to as U.S. Generally Accepted Auditing Standards or GAAS) or the Public Company Accounting Oversight Board (“PCAOB”), and with Commission independence standards based on SEC Rule 2-01 of Regulation S-X.<sup>26</sup> The examination results shall be submitted to the Commission upon completion, in a text-searchable format (e.g., text-searchable PDF).
- h. Secure Connectivity – Allow Listing. The Commission is proposing to amend Appendix D, Section 4.1.1 of the CAT NMS Plan to require “allow listing.” Specifically, the Commission proposes to require that for all connections to CAT infrastructure, the Plan Processor must implement capabilities to allow access (i.e., “allow list”) only to those countries where CAT reporting or regulatory use is both necessary and expected. In addition, proposed Appendix D, Section 4.1.1 would require, where possible, more granular allow listing to be implemented (e.g., by IP address). Lastly, the Plan Processor would be required to establish policies and procedures to allow access if the source location for a particular instance of access cannot be determined technologically.

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<sup>26</sup> See 17 CFR §210.2-01.

- i. Breach Management. Appendix D, Section 4.1.5 of the CAT NMS Plan requires the Plan Processor to develop policies and procedures governing its responses to systems or data breaches, including a formal cyber incident response plan, and documentation of all information relevant to breaches.<sup>27</sup> The Commission is proposing amendments and there are two information collections related to Breach Management:
  - i. Breach Management – Policies and Procedures. The Commission proposes to require that the formal cyber incident response plan incorporate corrective actions and breach notifications. As proposed, the Plan Processor would be allowed to delay breach notifications “if the Plan Processor determines that dissemination of such information would likely compromise the security of the CAT System or an investigation of the systems or data breach, and documents the reasons for such determination.” The proposal would further require affirmative documentation of the reasons for the Plan Processor’s determination to delay a breach notification. In addition, breach notifications would not be required for systems or data breaches “that the Plan Processor reasonably estimates would have no or a de minimis impact on the Plan Processor’s operations or on market participants.” For a breach that the Plan Processor believes to be a de minimis breach, the Plan Processor would be required to document all information relevant to such breach.
  - ii. Breach Management – Breach Notifications. The Commission proposes to require the Plan Processor to provide breach notifications of systems or data breaches to CAT Reporters that it reasonably estimates may have been affected, as well as to the Participants and the Commission, promptly after any responsible Plan Processor personnel have a reasonable basis to conclude that a systems or data breach has occurred.
- j. Customer Information for Allocation Report FDIDs. Proposed Section 6.4(d)(ii)(C) would explicitly require that Customer and Account Attributes be reported for Firm Designated IDs submitted in connection with Allocation Reports, and not just for FDIDs submitted in connection with the original receipt or origination of an order. Specifically, proposed Section 6.4(d)(ii)(C), as amended, of the CAT NMS Plan would state that each Participant shall, through its Compliance Rule, require its Industry Members to record and report, for original receipt or origination of an order and Allocation Reports, the Firm Designated ID for the relevant

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<sup>27</sup> See CAT NMS Plan, supra note 4, at Appendix D, Section 4.1.5. The cyber incident response plan is subject to review by the Operating Committee. See id.



Customer, and in accordance with Section 6.4(d)(iv), Customer and Account Attributes for the relevant Customer.

## **2. Purpose and Use of the Information Collection**

The Commission believes that the proposed amendments enhance the security of CAT Data. Specifically, the above amendments would collect information to be used in the following ways:

- a. Evaluation of the CISP. The proposed evaluation would improve the security of CAT Data by facilitating Commission oversight of the security risks posed by the extraction of CAT Data.
- b. Security Working Group. The proposed amendments would help to keep the Security Working Group adequately informed about issues that fall within its purview which, in turn, should enable the Security Working Group to provide the CISO and the Operating Committee with valuable feedback regarding the security of the CAT.
- c. SAWs. By requiring the development of policies, procedures, and design specifications that would implement the CISP, the proposed amendments are designed to better protect CAT Data. The implementation and operation requirements for SAWs are likewise designed to protect CAT Data by requiring that SAWs are correctly implemented and monitored and that Participants are notified of non-compliance. Finally, the requirements for non-SAW environments are designed to facilitate a fair and transparent application and review process.
- d. Online Targeted Query Tool and Logging of Access and Extraction. The proposed amendment would enhance the logging information provided to Participants and will assist in the identification of potential issues relating to the security or access to CAT Data.
- e. Customer and Account Attributes. The proposed amendments requiring the reporting of Transformed Values will obviate the need for the CAT to collect certain sensitive pieces of identifying information associated with a natural person Customer (e.g., the ITIN/SSN); the amendments requiring an assessment of the overall performance and design of the CCID Subsystem and the process for creating Customer-ID(s) in the required written assessment will facilitate an assessment of the overall performance and design of the CCID Subsystem, including the ingestion of the Transformed Value and the subsequent creation of an accurate Customer-ID, to confirm the CCID Subsystem is operating as intended, or whether any additional measures should be taken to address the creation and protection of Customer-IDs.

- f. Customer Identifying Systems Workflow. The proposed amendments requiring an audit trail of access be provided to each Participant and the Commission for their respective users on a monthly basis, and requiring the list all users who are entitled to Customer Identifying Systems access be provided to the Operating Committee on a monthly basis will help to confirm that only Regulatory Staff who are entitled to access to Customer Identifying Systems to have such access. The proposed amendments requiring each Participant to submit an application to use programmatic access will help ensure that only Participants that require such access have such access.
- g. Data Confidentiality Policies, Procedures and Usage Restrictions. The proposed amendments will provide an annual examination report to the Commission regarding compliance with the data confidentiality policies.
- h. Secure Connectivity – Allow Listing. The proposed amendment would enhance the security of CAT infrastructure and connections to the CAT infrastructure by requiring the Plan Processor to limit access to the CAT infrastructure based on an authorized end user’s geolocation of the IP addresses of CAT Reporters.
- i. Breach Management. The proposed amendments would obligate the Plan Processor to respond to systems or data breaches with appropriate steps necessary to remedy each systems or data breach and mitigate the negative effects of the Breach notifications could potentially allow affected CAT Reporters, Participants and/or the Commission to proactively respond to the information in a way to mitigate any potential harm to themselves, customers, investors and the public.
- j. Customer Information for Allocation Report FDIDs. The proposal will help ensure that Industry Members report Customer and Account Attributes for Firm Designated IDs submitted in connection with Allocation Reports.

### **3. Consideration Given to Improved Information Technology**

The proposed amendments use information technology to lessen the burden on the Participants. While items filed with the Commission are still generally submitted in paper format, the Participants generally also submit courtesy copies to the Commission in electronic form, lessening the need for any additional copying or scanning.

The Commission notes that many of the information collections can be completed or performed electronically, without paper distribution. For instance, instead of requiring the collection of SSNs, the proposed amendments provide that a Transformed Value would be collected. This Transformed Value would be generated through an automated process. The Data Confidentiality Policies are required to be made public on a website, and the required

examination report of compliance with such policies and related procedures and usage restriction controls will be required to be emailed to the Commission in a text-searchable format (e.g., a text-searchable PDF). The Commission further notes that it does not prohibit the Participants from using any kind of information technology to facilitate the collection and/or preparation of the information required by the proposed amendments.

#### **4. Duplication**

The proposed amendments would not result in, or require the collection of, duplicate information that is otherwise available in a similar form.

#### **5. Effects on Small Entities**

The proposed amendments would have an effect on small entities. Commission rules generally define a broker-dealer as a small entity for purposes of the Exchange Act and the Regulatory Flexibility Act if the broker-dealer had a total capital of less than \$500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared, and it is not affiliated with any person (other than a natural person that is not a small entity).

The amendments require self-regulatory organizations (“SROs”) to adopt compliance rules that require their members to report a Transformed Value, rather than a Customer’s SSN/ITIN, to the CAT in order to create a globally unique Customer-ID for every Customer. These rules would apply to all broker-dealers, including those broker-dealers that are small entities. The Commission estimates, based on FOCUS filings with the Commission, that as of the third quarter of 2019, there were approximately 925 Commission-registered broker-dealers that would be considered small entities for purposes of the statute. Each of these brokers-dealers, assuming that they would be subject to CAT reporting obligations,<sup>28</sup> would be responsible for complying with the proposed amendments that require the reporting of a Transformed Value. The Commission believes, however, that the reporting requirements related to the Transformed Value are not unduly burdensome for all broker-dealers, including broker-dealers that would be considered small entities, particularly in relation to the important objectives served by avoiding the need for the CAT to collect a Customer’s SSN/ITIN.

#### **6. Consequences of Not Conducting Collection**

The CAT NMS Plan approved by the Commission already sets forth a number of requirements regarding the security and confidentiality of CAT Data. Nevertheless, the Commission believes that it can and should take additional steps to further protect the security and confidentiality of CAT Data.

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<sup>28</sup> The Commission understands that some registered broker-dealers either trade in asset classes not currently included in the definition of Eligible Security or do not trade at all (e.g., broker-dealers for the purposes of underwriting, advising, private placements).

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

Under existing rules and regulations, information collected pursuant to the proposed amendments would be required to be retained for more than three years. National securities exchanges and national securities associations would be required to retain records and information pursuant to Rule 17a-1 under the Exchange Act, which would require the retention of records for a period of not less than five years.<sup>29</sup> The Plan Processor would be required to retain the information reported to Rule 613(c)(7) and (e)(6) for a period of not less than five years.<sup>30</sup> The proposed amendments do not change or alter these obligations.

In addition, certain information collections may require the Participants to submit confidential information to the Commission, including: the evaluation of the Plan Processor's performance under proposed Section 6.6(b)(ii)(B)(3), the examination reports required by proposed Section 6.5(g)(v), the application materials for non-SAW environments as required under proposed Section 6.13(d), the annual Regular Written Assessment of the Plan Processor under proposed Section 6.6(b)(ii)(A), and the application for Programmatic CAIS Access and Programmatic CCID Subsystem Access under proposed Appendix D, Section 4.1.6. To the extent the Commission receives confidential information pursuant to the CAT NMS Plan, such information will be kept confidential, subject to the provisions of applicable law.

The information collection "Online Targeted Query Tool – Logging of Access and Extraction" requires respondents to report and review information more frequently than quarterly, specifically, this logging information must be provided monthly. The information collection "Breach Management – Breach Notifications" could potentially require the Participants to report and disclose information more frequently than quarterly.

The proposed amendments require the Plan Processor to maintain a full audit trail reflecting access to the Customer Identifying Systems by the Commission (i.e., who accessed what data, and when), and to provide such audit trail to the Commission for our respective users on a monthly basis. Provision of this monthly report may increase the accountability and transparency regarding access to Customer Identifying Systems, and will help the Commission staff develop and implement internal policies, procedures and control systems regarding access to Customer Identifying Systems.

There are no other special circumstances, and this collection is otherwise consistent with the guidelines in 5 CFR 1320.5(d)(2).

## **8. Consultations Outside the Agency**

The Commission has issued a release soliciting comment on the proposed amendment's requirements and associated paperwork burdens.<sup>31</sup> A copy of the release is attached. Comments

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<sup>29</sup> See 17 CFR 242.17a-1.

<sup>30</sup> See 17 CFR 242.613.

<sup>31</sup> See note 13 supra.

on Commission releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. Any comments received on this proposed rulemaking will be posted on the Commission's public website and made available through <http://www.sec.gov/rules/proposed.shtml>. The Commission will consider all comments received prior to publishing the final rule, and will explain in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

## **9. Payment or Gift**

No payment or gift is provided to respondents.

## **10. Confidentiality**

The Commission preliminarily believes that all information required to be submitted to the Commission under the proposed amendments, including the evaluation of the Plan Processor's performance under proposed Section 6.6(b)(ii)(B)(3), the examination reports required by proposed Section 6.5(g)(v), the application materials for non-SAW environments as required under proposed Section 6.13(d), the annual Regular Written Assessment of the Plan Processor under proposed Section 6.6(b)(ii)(A), the application for Programmatic CAIS Access and Programmatic CCID Subsystem Access under proposed Appendix D, Section 4.1.6 should be protected from disclosure subject to the provisions of applicable law.<sup>32</sup>

Public disclosure of other collections of information could raise concerns about the security of the CAT and therefore the Commission preliminarily believes that the Plan Processor and the Participants, as applicable, would keep these materials confidential.<sup>33</sup> Such collections

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<sup>32</sup> See, e.g., 5 U.S.C. 552 et seq.; 15 U.S.C. 78x (governing the public availability of information obtained by the Commission).

<sup>33</sup> The Participants must comply with the security plan developed by the Plan Processor pursuant to Appendix D, Section 4.1 of the CAT NMS Plan and any security-related policies and procedures developed pursuant to Regulation SCI. See CAT NMS Plan, *supra* note 4, at Appendix D, Section 4.1 (requiring the Plan Processor to provide to the Operating Committee a comprehensive security plan, including a process for responding to security incidents and reporting of such incidents); 17 CFR 242.1001 (requiring each SCI entity to establish, maintain, and enforce written policies and procedures reasonably designed to ensure that its SCI systems have levels of security adequate to maintain operational capabilities and promote the maintenance of fair and orderly markets). In some cases, non-member invitees of the Security Working Group may be given access to otherwise confidential information, but the Commission believes that the CISO and the Operating Committee should consider requiring any non-member invitees sign a non-disclosure agreement or adhere to some other protocol designed to prevent the release of confidential information regarding the security of the CAT System. Members of the Security Working Group (and their designees) would be subject to the existing confidentiality obligations set forth in Section 9.6 of the CAT NMS Plan.

of information include: the development of SAW-specific provisions for the CISP and related policies, procedures, and security controls required pursuant to proposed Section 6.13(a); the development of the detailed design specifications required pursuant to proposed Section 6.13(b)(i); the evaluation of each Participant's SAW and related notification to the Operating Committee under proposed Section 6.13(b)(ii), the monitoring of SAWs and non-SAW environments and notification of non-compliance events required by proposed Section 6.13(c)(i) and proposed Section 6.13(d)(iii); the collection of application materials for an exception to the proposed SAW usage requirements pursuant to proposed Section 6.13(d); the development of policies and procedures for review of such applications and the issuance of exceptions to the SAW usage requirements by the CISO and the CCO pursuant to proposed Section 6.13(d); and the audit trail of access to Customer Identifying Systems and the daily reports of users entitled to access Customer Identifying Systems as required by the proposed amendments to Section 4.1.6 of Appendix D;

Finally, the policies required by proposed Section 6.5(g)(i) would not be confidential. Rather, the proposed rule would require Participants to make the policies required by Section 6.5(g)(i) publicly available on each of the Participant websites, or collectively on the CAT NMS Plan website, redacted of sensitive proprietary information.

## **11. Sensitive Questions**

The information collection may collect information of a sensitive nature to include personally identifiable information. This rule implements alternatives to collecting the SSN by requesting Participants to use a Transformed Value in place of the SSN. The SEC does not collect the data of CAT. Therefore, a SORN and a PIA are not required for this information collection.

## **12. Burden of Information Collection**

As noted above, the proposed amendment would establish 31 new collections of information, which are listed in the chart below. The Commission anticipates that the respondents would incur a total estimated industry burden for all internal collections of information of approximately 58,437 hours per year. Each of the collections of information is explained further in the discussion.

Summary of Hourly Burdens <sup>34</sup>										
Name of Information Collection	Type of Burden	Number of Entities Impacted	Small Business Entities Affected	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Approximate Industry Burden
Evaluation of the CISP	Reporting	25	0	1	0	0	25	25	25	625
Security Working Group -- Attendance	Third Party Disclosure	25	0	52	0	0	7	7	364	9,100
Security Working Group -- Updates	Third Party Disclosure	25	0	0	0	0	0	0	0	0
SAWs -- Policies & Procedures (Initial)	Recordkeeping	25	0	0	0	0	0	0	0	0
SAWs -- Policies & Procedures (Ongoing)	Recordkeeping	25	0	0	0	0	0	0	0	0
SAWs -- Design Specifications (Initial)	Recordkeeping Third Party Disclosure	25	0	0	0	0	0	0	0	0
SAWs -- Design Specifications (Ongoing)	Recordkeeping	25	0	0	0	0	0	0	0	0
SAWs -- Implementation Requirements	Third Party Disclosure	25	0	0	0	0	0	0	0	0
SAWs -- Operational Requirements (Initial)	Recordkeeping	25	0	0	0	0	0	0	0	0
SAWs -- Operational Requirements (Maintenance)	Recordkeeping	25	0	0	0	0	0	0	0	0
SAWs -- Operational Requirements (Notification)	Third Party Disclosure	25	0	0	0	0	0	0	0	0
Non-SAW Environments -- Application Materials (Initial)	Third Party Disclosure	6	0	1	275	91.66	0	0	91.67	550
Non-SAW Environments -- Application Materials (Ongoing)	Third Party Disclosure	6	0	1	0	0	140	140	140	840
Non-SAW Environments -- Determinations (Initial)	Recordkeeping Third Party Disclosure	25	0	0	0	0	0	0	0	0
Non-SAW Environments -- Determinations (Ongoing)	Recordkeeping Third Party Disclosure	25	0	0	0	0	0	0	0	0
Non-SAW Environments -- Revocations	Third Party Disclosure	25	0	0	0	0	0	0	0	0
Non-SAW Environments -- Implementation Requirements	Third Party Disclosure	25	0	0	0	0	0	0	0	0
Non-SAW Environments -- Operational Requirements (Material Changes)	Third Party Disclosure	6	0	4	0	0	15	15	60	360
Non-SAW Environments -- Operational	Recordkeeping	25	0	0	0	0	0	0	0	0

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This hourly burden chart includes collections of information where there may only be an external cost and not an hourly burden, and this is reflected by an entry of zero hours. Where there is not an hourly burden for certain collections of information, those items are not specifically described in Item 12.

Requirements (Notification)	Third Party Disclosure									
Online Targeted Query Tool and Logging of Access and Extraction – Review Monthly Reports	Recordkeeping	25	0	12	0	0	0.40	0.40	4.80	120
Online Targeted Query Tool and Logging of Access and Extraction – Additional Logging	Recordkeeping	25	0	0	0	0	0	0	0	0
Customer and Account Attributes – Transformed Value(s)	Third Party Disclosure	1,500	925	1	80	26.67	0	26.67	26.67	40,000
Customer and Account Attributes – Regular Written Assessment	Reporting	25	0	1	0	0	50	50	50	1,250
Customer Identifying Systems Workflow – Preparation of Programmatic Access Application	Reporting	25	0	1	50.00	16.67		16.67	16.67	417
Customer Identifying Systems Workflow – Audit Trail Report	Third Party Disclosure	25	0	0	0	0	0	0	0	0
Data Confidentiality Policies – Identical Policies	Third Party Disclosure	25	0	1	20	6.67	4	10.67	10.67	267
Data Confidentiality Policies – Procedures and Usage Restrictions	Recordkeeping	25	0	1	282	94	87	181	181	4,525
Data Confidentiality Policies – Examination Report	Reporting	25	0	1	0	0	15	15	15	375
Secure Connectivity – Allow Listing	Recordkeeping	25	0	1	0	0	0	0	0	0
Breach Management – Policies and Procedures	Recordkeeping	25	0	1	1	0.33	0	0.33	0.33	8
Breach Management – Breach Notifications	Third Party Disclosure	25	0	1	0	0	0	0	0	0
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>										58,437

a. Evaluation of the CISP

The CAT NMS Plan already requires the Participants to submit to the Commission, at least annually, a written assessment of the Plan Processor’s performance that is prepared by the CCO. The proposed amendments would newly require the CCO to evaluate elements of the CISP that relate to SAWs and, in collaboration with the CISO, to include a review of CAT Data extracted from the CAT System to assess the security risk of permitting such CAT Data to be extracted. The Participants would also have the right to review and comment on these new elements of the written assessment.

The respondents to this collection of information would be the 25 Participants. In addition to the external costs that would be incurred by the Participants,<sup>35</sup> **the Commission preliminarily estimates that each Participant would incur an ongoing reporting burden of**

<sup>35</sup> See Item 13.a. infra.



**approximately 25 hours annually to review and comment on these new elements, for an aggregate industry reporting burden of approximately 625 hours annually.**<sup>36</sup>

b. Security Working Group – Attendance

The respondents to this collection of information would be the 25 Participants. In addition to the external costs that would be incurred by the Participants,<sup>37</sup> to comply with the proposed requirement that the Security Working Group advise the CISO and the Operating Committee, the Commission preliminarily believes that the chief or deputy chief information security officer of each Participant will likely spend approximately 5 hours per week, on average, to prepare for a weekly meeting of the Security Working Group and approximately 2 hours to attend the weekly meeting. **The Commission therefore preliminarily estimates that each Participant would incur an ongoing annual third-party disclosure burden of approximately 364 hours annually, for an aggregate industry third-party disclosure burden of 9,100 hours annually.**<sup>38</sup>

c. SAWs

In addition to various external costs that would be incurred by the Participants,<sup>39</sup> the Commission estimates that the Participants would also incur certain burdens in seeking an exception to the proposed SAW usage requirements.

i. Non-SAW Environments - Application Materials

a. Application Materials (Initial)

Specifically, the Commission preliminarily estimates that 6 Participants will apply for an exception to the SAW usage requirements and that each Participant would spend approximately 275 hours to prepare the required application materials and submit the application to the CCO, the CISO, the members of the Security Working Group (and their designees), and Commission observers of the Security Working Group. Accordingly, the Commission preliminarily estimates that the Participants would together incur an initial, one-time aggregate burden of approximately 1,650 hours.<sup>40</sup> When annualized over three years, **the Commission preliminarily estimates that the Participants would together incur an initial, one-time, aggregate third-party disclosure burden of approximately 550 hours annually**<sup>41</sup> and each Participant would incur

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<sup>36</sup> 25 hours per Participant x 25 Participants = 625 hours.

<sup>37</sup> See Item 13.b. *infra*.

<sup>38</sup> (5 hours + 2 hours) x 52 weeks = 364 hours per Participant per year. 364 hours per Participant x 25 Participants = 9,100 hours.

<sup>39</sup> See Item 13.c. *infra*.

<sup>40</sup> 275 hours x 6 non-SAW environments = 1,650 hours.

<sup>41</sup> 1,650 hours / 3 years = 550 hours per year.

**an initial, one-time, third-party disclosure burden of approximately 91.66 hours per Participant annually.**<sup>42</sup>

b. Application Materials (Ongoing)

The Commission preliminarily estimates that 6 Participants would apply for a continued exception or re-apply for an initial exception per year. To prepare updated application materials, the Commission preliminarily believes that each Participant would spend approximately 140 hours to prepare the required application materials and submit the application to the CCO, the CISO, the members of the Security Working Group (and their designees), and Commission observers of the Security Working Group. Accordingly, **the Commission preliminarily estimates that the Participants would together incur an ongoing third-party disclosure burden of approximately 840 hours annually, for an ongoing annual third-party disclosure burden of approximately 140 hours per Participant annually.**<sup>43</sup>

ii. Non-SAW Environments – Operation Requirements

The respondents to this collection of information would be 6 Participants. With respect to the requirement that each Participant using an approved non-SAW environment simultaneously notify the Plan Processor, the members of the Security Working Group (and their designees), and Commission observers of the Security Working Group of any material changes to its security controls for the non-SAW environment, the Commission preliminarily believes that 6 Participants would apply for an exception to use a non-SAW environment and that each of these 6 Participants would materially change its security controls approximately 4 times a year. The Commission also preliminarily believes that each such notification would require 15 burden hours. **Accordingly, the Commission preliminarily estimates that the Participants would together incur an ongoing aggregated third-party disclosure burden of approximately 360 hours annually,** or that each Participant would incur an ongoing third-party disclosure burden of approximately 60 hours annually.<sup>44</sup>

d. Online Targeted Query Tool and Logging of Access and Extraction

i. Review Monthly Reports

The respondents to this collection of information would be the 25 Participants. The CAT NMS Plan currently states that the logs required by Appendix D, Section 8.1.1 of the CAT NMS Plan are to be submitted to the Operating Committee on a monthly basis. The Commission

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<sup>42</sup> 550 hours per year / 6 Participants = 91.66 hours per year per Participant.

<sup>43</sup> 140 hours x 6 non-SAW environments = 840 hours.

<sup>44</sup> 15 hours per notification x 4 notifications per year = 60 hours per year. 60 hours per year x 6 non-SAW environments = 360 hours.

preliminarily estimates that the ongoing burden of Participants to review the newly required information in these logs, through the Operating Committee (as members of the Operating Committee), would be an estimated 10 aggregate internal burden hours each month. The Commission preliminarily believes it is reasonable to estimate aggregate internal burden hours because the obligation to receive and review the logs required by Appendix D, Section 8.1.1 is with the Operating Committee itself and is not an obligation of individual Participants. Thus, in addition to the external costs that would be incurred by the Participants,<sup>45</sup> the **Commission preliminarily estimates that each Participant would incur an ongoing recordkeeping burden of approximately 4.8 hours annually to review the newly required information in these logs, for an aggregate industry burden of approximately 120 hours annually.**<sup>46</sup>

j. Customer and Account Attributes

In addition to various external costs that would be incurred by the Participants,<sup>47</sup> the Commission estimates that the Participants would also incur certain burdens in light of the proposed amendments relating to CAT Customer and Account Attributes.

i. Transformed Value(s)

The Commission estimates that the Participants would incur certain burdens in reporting Transformed Value(s), and certain burdens by requiring the annual Regular Written Assessment of the Plan Processor's Performance include an evaluation of the overall performance and design of the CCID Subsystem and the process for creating Customer-ID(s).

The Commission preliminarily estimates that the one-time burden to Industry Members to modify systems to report a Transformed Value to the CAT instead of SSNs or ITINs per the proposed amendments will be minimal. However, the Commission preliminarily believes there will be a cost to install and test the transformation logic. As proposed, Industry Members would use the CCID Transformation Logic in conjunction with an API provided by the Plan Processor and the only cost to Industry Members will be installation and testing of the transformation logic.

The respondents to this collection of information would be the 1,500 Industry Members. The Commission estimates that the one-time burden to each Industry Member to install and test this technology will be 80 staff burden hours per Industry Member or 120,000 hours in the aggregate.<sup>48</sup> **When annualized over three years, the Commission preliminarily estimates that the Industry Members would together incur an initial, one-time, aggregate third-party disclosure burden of approximately 40,000 hours annually,**<sup>49</sup> and each Industry Member

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<sup>45</sup> See Item 13.d. infra.

<sup>46</sup> 4.8 hours per Participant x 25 Participants = 120 hours.

<sup>47</sup> See Item 13.c. infra.

<sup>48</sup> 80 burden hours x 1,500 Industry Members = 120,000.

<sup>49</sup> 120,000 hours / 3 years = 40,000 hours per year.

would incur an initial, one-time, third-party disclosure burden of approximately 26.67 hours per Industry Member annually.<sup>50</sup> The Commission believes that the on-going annual burden to report the Transformed Value will be the same as the burden to report a SSN or ITIN once the CCID Transformation Logic is installed.

ii. Regular Written Assessment

The respondents to this collection of information would be the 25 Participants. The CAT NMS Plan currently requires the CCO to oversee the Regular Written Assessment of the Plan Processor's performance, which must be provided to the Commission at least annually and which must include an evaluation of the performance of the CAT.<sup>51</sup> The proposed amendment requires an evaluation of the overall performance and design of the CCID Subsystem and the process for creating Customer-ID(s) to be included in each such annual Regular Written Assessment of the Plan Processor's Performance.

The Commission preliminarily estimates that assessment of the CCID subsystem require an additional 50 ongoing burden hours of internal legal, compliance, business operations, and information technology, per Participant, for an **aggregate ongoing reporting burden of approximately 1,250 hours<sup>52</sup> annually.**

k. Customer Identifying Systems Workflow – Preparation of Programmatic Access Application

The respondents to this collection of information would be the 25 Participants. In connection with the application for authorization, the Commission preliminarily estimates that each of the Participants would incur a one-time burden of 50 burden hours for preparation and review of the application that seeks Programmatic CAIS and/or Programmatic CCID Subsystem Access.<sup>53</sup> **This is an aggregate one-time reporting burden of approximately 1,250 hours per application,<sup>54</sup> or 417 hours per year when annualized over three years.<sup>55</sup>**

l. Data Confidentiality Policies, Procedures and Usage Restrictions

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<sup>50</sup> 40,000 hours per year / 1,500 Industry Members = 26.67 hours per Industry Member annually.

<sup>51</sup> See CAT NMS Plan, *supra* note 4, Section 6.6(b)(ii)(A).

<sup>52</sup> 50 burden hours x 25 Participants = 1,250 hours.

<sup>53</sup> For purposes of the Paperwork Reduction Act, staff preliminarily believes that number of Participants that may apply for such access will range from 1 to 25 Participants. Staff took a conservative approach and preliminarily estimated that 25 Participants will submit an application for programmatic access.

<sup>54</sup> 50 hours per application x 25 Participants = 1,250 hours.

<sup>55</sup> 1,250 industry hours / 3 years = 416.67 (rounded to 417) industry hours per year

The Commission preliminarily believes that proposed Section 6.5(g) creates three different types of paperwork burdens: (i) a third-party disclosure burden relating to preparation, review and public disclosure of the Data Confidentiality Policies; (ii) a recordkeeping burden associated with the related documentation, procedures, and usage restriction controls required by Section 6.5(g)(i) and the Data Confidentiality Policies; and (iii) a reporting burden associated with the annual requirement to provide the Commission an examination report in Section 6.5(g)(v).

i. Data Confidentiality Policies – Identical Policies

The respondents to this collection of information would be the 25 Participants. The Commission preliminarily estimates that the initial hourly burden of preparing, reviewing and approving the Data Confidentiality Policies would be an aggregate 500 hours for the Participants, or 20 hours for each individual Participant.<sup>56</sup> This estimation includes burden hours associated with: (i) preparing and reviewing the identical policies required by Section 6.5(g)(i); (2) making the policies publicly available on each of the Participant websites, or collectively on the CAT NMS Plan website, redacted of sensitive proprietary information as required by Section 6.5(g)(iv); and (3) Operating Committee review and approval as required by Section 6.5(g)(vi).<sup>57</sup> The Commission believes that Participants already have individual policies and procedures relating to the confidentiality of CAT Data, as required by existing provisions of the CAT NMS Plan, and Participants can use these existing policies and procedures in order to help prepare, review and approve the policies and procedures required by proposed Section 6.5(g)(i).

The Commission preliminarily estimates that Participants will require 100 burden hours, or 4 hours per Participant<sup>58</sup> annually to comply with proposed Section 6.5(g)(ii), which requires the Participants to periodically review the effectiveness of the policies required by Section 6.5(g)(i), including by using the monitoring and testing protocols documented within the policies pursuant to Section 6.5(g)(i)(K), and take prompt action to remedy deficiencies in such policies. The Commission preliminarily believes it is appropriate to estimate that review of and updates to the Data Confidentiality Policies should be one-fifth the burden hours necessary for initially creating and approving the Data Confidentiality Policies because the Commission preliminarily believes it should take substantially less time and effort to review and update the Data Confidentiality Policies than in initially creating and approving them. This estimated burden includes any updates to the Data Confidentiality Policies initiated by the Participants, based on their review pursuant to proposed Section 6.5(g)(ii) or based on changed regulatory needs.

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<sup>56</sup> 500 hours / 25 Participants = 20 hours per Participant.

<sup>57</sup> To the extent that the CISO consults with the Security Working Group regarding the development and approval of the Proposed Confidentiality Policies, those burdens and costs have already been accounted for elsewhere.

<sup>58</sup> 100 hours / 25 Participants = 4 hours per Participant.

Accordingly, in addition to the external costs that would be incurred by the Participants,<sup>59</sup> the Commission preliminarily estimates that each Participant would incur an initial third-party disclosure hourly burden of 20 hours and an ongoing third-party disclosure hourly burden of approximately 4 hours per year to satisfy this information collection requirement. **Thus, the total estimated industry burden, including the initial, one-time burden and ongoing burden, is approximately 267 hours per year when annualized over three years.**<sup>60</sup>

ii. Data Confidentiality Policies – Procedures and Usage Restrictions

The respondents to this collection of information would be the 25 Participants. The Commission preliminarily estimates that each Participant would require an average of 282 burden hours, or 7,050 hours for all Participants,<sup>61</sup> to initially develop and draft the procedures and usage restriction controls required by proposed Section 6.5(g)(i). The Commission preliminarily believes that this estimation includes all initial reporting burdens associated with the documentation, procedures and usage restriction controls required by Section 6.5(g)(i).

The Commission preliminarily estimates that the ongoing annual burden of maintaining and reviewing the procedures and usage restriction controls required by Section 6.5(g)(i), including by using monitoring and testing protocols documented within the policies pursuant to Section 6.5(g)(i)(K), and taking prompt action to remedy deficiencies in such policies, procedures and usage restriction controls as required by proposed Section 6.5(g)(ii), would be 87 burden hours for each Participant, or 2,175 burden hours for all Participants.<sup>62</sup> The Commission preliminarily believes that this estimation includes all ongoing reporting burdens associated with the procedures and usage restriction controls required by Section 6.5(g)(i). This estimation also includes the hourly burden associated with proposed Section 6.5(g)(iii), which requires each Participant, as reasonably practicable, and in any event within 24 hours of becoming aware, report to the Chief Compliance Officer, in accordance with the guidance provided by the Operating Committee, any instance of noncompliance with the policies, procedures, and usage restriction controls adopted by such Participant pursuant to Section 6.5(g)(i).<sup>63</sup>

Accordingly, in addition to the external costs that would be incurred by the Participants,<sup>64</sup> the Commission preliminarily estimates that each Participant would incur an initial recordkeeping hourly burden of 282 hours and an ongoing recordkeeping hourly burden of

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<sup>59</sup> See Item 13.e.i infra.

<sup>60</sup>  $((20 \text{ hours} / 3 \text{ years} = 6.67) + (4 \text{ hours})) \times 25 \text{ Participants} = 267 \text{ hours}$  (266.67 rounded).

<sup>61</sup>  $282 \text{ hours} \times 25 \text{ Participants} = 7,050 \text{ hours}$ .

<sup>62</sup>  $87 \text{ hours} \times 25 \text{ Participants} = 2,175 \text{ hours}$ .

<sup>63</sup> Proposed Section 6.5(g)(iii) also requires reporting of any instance a Participant becomes aware of a breach of the security of the CAT, but this obligation is a pre-existing obligation and not a new information collection requirement. See CAT NMS Plan, supra note 4, at Section 6.5(f)(iii).

<sup>64</sup> See Item 13.e.ii infra.

approximately 87 hours per year to satisfy this information collection requirement. **Thus, the total estimated industry burden, including the initial, one-time burden and ongoing burden, is 4,525 hours per year when annualized over three years.**<sup>65</sup>

iii. Data Confidentiality Policies – Examination Report

The respondents to this collection of information would be the 25 Participants. The Commission preliminarily believes that Participants will incur annual hour burdens to comply with proposed Section 6.5(g)(v), which the Commission preliminarily estimates to be 15 hours for each Participant, or 375 hours for all Participants. The Commission believes that this burden hour estimation includes the staff time necessary to engage an independent accountant, staff time required to allow the independent auditor to review compliance and prepare the examination report and the staff time required to submit the examination report to the Commission. The Commission believes that proposed Section 6.5(g)(v) does not require Participants to review and respond to the examination report, and only requires a Participant to submit the prepared examination report to the Commission. However, the Commission notes that such examination report may require Participants to take action pursuant to proposed Section 6.5(g)(ii) or Section 6.5(g)(iii), including updating policies, procedures and usage restrictions, but such burdens are accounted for in other areas of this Paperwork Reduction Act analysis.

In addition to the external costs that would be incurred by the Participants,<sup>66</sup> the Commission preliminarily estimates that each Participant would incur an ongoing reporting hourly burden of approximately 15 hours per year to satisfy this information collection requirement. **Thus, the total estimated industry burden is 375 hours per year when annualized over three years.**<sup>67</sup>

m. Secure Connectivity – Allow Listing

The Commission does not believe there are any hour burdens to the respondents for this collection of information, because only external cost burdens are associated with this information collection as the proposed amendment would require the Participants to have the Plan Processor implement the required changes.<sup>68</sup>

n. Breach Management

The Plan Processor is already required to establish policies and procedures and a cyber incident response plan pursuant to Section 4.1.5 of the CAT NMS Plan, so the Commission believes it is appropriate to estimate a burden of revising breach management policies and procedures and the cyber incident response plan relate to the new elements required by proposed Section 4.1.5 of the CAT NMS Plan.

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<sup>65</sup> ((282 hours / 3 years = 94 hours) + 87 hours) x 25 Participants = 4,525 hours.

<sup>66</sup> See Item 13.e.ii *infra*.

<sup>67</sup> 15 hours x 25 Participants = 375 hours.

<sup>68</sup> See Item 13.h *infra*.

i. Breach Management – Policies and Procedures

The respondents to this collection of information would be the 25 Participants. The Commission believes that there would be an initial internal burden of 25 hours for the Participants, or 1 hour per Participant (25 / 25 Participants) for review and approval of the updated cyber incident response plan by the Operating Committee. Accordingly, in addition to the external costs that would be incurred by the Participants,<sup>69</sup> the Commission preliminarily estimates that each Participant would incur an initial recordkeeping hourly burden of 1 hour to satisfy this information collection requirement. **Thus, the total estimated industry burden is approximately 8 hours per year when annualized over three years.**<sup>70</sup>

ii. Breach Management – Breach Notifications.

The Commission believes there would be **no hour burden** associated with the breach notifications, because only external cost burdens are associated with this information collection,<sup>71</sup> as the proposed amendment would require the Participants to have the Plan Processor implement the required changes.

o. Customer Information for Allocation Report FDIDs

The Commission preliminarily believes that **this requirement is already accounted for in the existing information collections burdens** associated with Rule 613 and the CAT NMS Plan Approval Order submitted under OMB number 3235-0671.<sup>72</sup> Specifically, the CAT NMS Plan Approval Order takes into account requirements on broker-dealer members to record and report CAT Data to the Central Repository in accordance with specified timelines, including customer information associated with Firm Designated IDs.

### 13. Costs to Respondents

As noted above, the proposed amendment would establish 31 new collections of information, which are listed in the chart, below. Many aspects of the proposed amendment to the CAT NMS Plan would require the Plan Processor to do certain activities. However, because the CAT NMS Plan applies to and obligates the Participants and not the Plan Processor, the Commission preliminarily believes it is appropriate to estimate the Participants' external cost based on the estimated Plan Processor staff hours required to comply with the proposed obligations. The Commission derives these estimated costs associated with Plan Processor staff time based on per hour figures from SIFMA's Management & Professional Earnings in the Securities Industry 2013,

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<sup>69</sup> See Item 13.i.i infra.

<sup>70</sup> 25 hours / 3 years = approximately 8 hours per year (8.33 rounded down to 8 hours).

<sup>71</sup> See Item 13.i.ii infra.

<sup>72</sup> See, CAT NMS Plan Approval Order, supra note 4, at 84911-43.



modified by Commission staff to account for an 1800-hour work-year, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead, and adjusted for inflation based on Bureau of Labor Statistics data on CPI-U between January 2013 and January 2020 (a factor of 1.12).<sup>73</sup>

The Commission believes that respondents will incur a total estimated industry cost for all external collections of information of approximately \$6,824,207 per year, in connection with the proposed amendments. Each of the collections of information is explained further in the discussion.

Summary of Dollar Costs <sup>74</sup>										
Name of Information Collection	Type of Burden	Number of Entities Impacted	Small Business Entities Affected	Annual Responses per Entity	Initial Cost per Entity per Response	Initial Cost Annualized per Entity per Response	Approximate Ongoing Cost per Entity per Response	Approximate Annual Cost Per Entity per Response	Total Approximate Annual Cost Per Entity	Total Approximate Industry Cost
Evaluation of the CISP	Reporting	25	0	1	\$0	\$0	\$6,196.00	\$6,196.00	\$6,196.00	\$154,900
Security Working Group - Attendance	Third Party Disclosure	25	0	52	\$0	\$0	\$217.20	\$217.20	\$11,294.40	\$282,360
Security Working Group - Updates	Third Party Disclosure	25	0	1	\$0	\$0	\$1,086.00	\$1,086.00	\$1,086.00	\$27,150
SAWs – Policies & Procedures (Initial)	Recordkeeping	25	0	1	\$4,640.80	\$1,546.93	\$0	\$0	\$1,546.93	\$38,673
SAWs – Policies & Procedures (Ongoing)	Recordkeeping	25	0	1			\$2,265.92	\$2,265.92	\$2,265.92	\$56,648
SAWs – Design Specifications (Initial)	Recordkeeping	25	0	1	\$4,127.20	\$1,375.73	\$0	\$0	\$1,375.73	\$34,393
	Third Party Disclosure	25	0	1	\$118.60	\$39.53	\$0	\$0	\$39.53	\$988
SAWs – Design Specifications (Ongoing)	Recordkeeping	25	0	1	0	0	\$1,930.00	\$1,930.00	\$1,930.00	\$48,250
SAWs – Implementation Requirements	Third Party Disclosure	25	0	1	\$18,550.00	\$6,183.33	\$0	\$0	\$6,183.33	\$154,583
SAWs – Operational Requirements (Initial)	Recordkeeping	25	0	1	\$2,094.00	\$698.00	\$0	\$0	\$698.00	\$17,450
SAWs – Operational Requirements (Maintenance)	Recordkeeping	25	0	1	\$0	\$0	\$25,168.80	\$25,168.80	\$25,168.80	\$629,220
SAWs – Operational	Third Party Disclosure	25	0	5	\$0	\$0	\$471.75	\$2,358.75	\$2,358.75	\$58,969

<sup>73</sup> For example, the 2020 inflation-adjusted effective hourly wage rate for attorneys is estimated at \$426 (\$380 x 1.12). For purposes of this Paperwork Reduction Act analysis, the Commission has preliminarily estimated the per hour cost of a Chief Information Security Officer to be identical to the per hour cost of a Chief Compliance Officer (\$543 per hour).

<sup>74</sup> This dollar cost chart includes collections of information where there may only be an hourly burden and not an external cost, and this is reflected by an entry of zero dollars. Where there is not an external cost for certain collections of information, those items are not specifically described in Item 13.

Requirements (Notification)										
Non-SAW Environments – Application Materials (Initial)	Third Party Disclosure	6	0	1	\$250,000	\$83,333.33	\$0	\$0	\$83,333.33	\$500,000
Non-SAW Environments – Application Materials (Ongoing)	Third Party Disclosure	6	0	1	\$0	\$0	\$250,000.00	\$250,000.00	\$250,000	\$1,500,000
Non-SAW Environments – Determinations (Initial)	Recordkeeping	25	0	1	\$2,236.80	\$745.60	\$0	\$0	\$745.60	\$18,640
	Third Party Disclosure	25	0	1	\$22,022.40	\$7,340.80	\$0	\$0	\$7,340.80	\$183,520
Non-SAW Environments – Determinations (Ongoing)	Recordkeeping	25	0	1	\$0	\$0	\$1,268.00	\$1,268.00	\$1,268.00	\$31,700
	Third Party Disclosure	25	0	1	\$0	\$0	\$22,022.40	\$22,022.40	\$22,022.40	\$550,560
Non-SAW Environments – Revocations	Third Party Disclosure	25	0	1	\$0	\$0	\$700.40	\$700.40	\$700.40	\$17,510
Non-SAW Environments – Implementation Requirements	Third Party Disclosure	25	0	1	\$4,452.00	\$1,484.00	\$0	\$0	\$1,484.00	\$37,100
Non-SAW Environments – Operational Requirements (Material Changes)	Third Party Disclosure	6	0	0	\$0	\$0	\$0	\$0	\$0	\$0
Non-SAW Environments – Operational Requirements (Notification)	Recordkeeping	25	0	1	\$0	\$0	\$12,105.60	\$12,105.60	\$12,105.60	\$302,640
	Third Party Disclosure	25	0	1	\$0	\$0	\$566.10	\$566.10	\$566.10	\$14,153
Online Targeted Query Tool and Logging of Access and Extraction – Review Monthly Reports	Recordkeeping	25	0	0	0	0	0	0	0	0
Online Targeted Query Tool and Logging of Access and Extraction – Additional Logging	Recordkeeping	25	0	1	\$3,518.40	\$1,172.80	\$204.00	\$1,376.80	\$1,376.80	\$34,420
Customer and Account Attributes – Transformed Value(s)	Third Party Disclosure	1,500	925	0	0	0	0	0	0	0
Customer and Account Attributes – Regular Written Assessment	Recordkeeping	25	0	1	\$26,002.00	\$8,667.33	\$0	\$8,667.33	\$8,667.33	\$216,683
Customer Identifying Systems Workflow – Preparation of Programmatic Access Application	Reporting	25	0	0	\$0	\$0	\$0	\$0	\$0	\$0
Customer Identifying Systems Workflow – Audit Trail Report	Third Party Disclosure	25	0	12	\$0	\$0	\$1,244.88	\$1,244.88	\$14,938.56	\$373,464
Data Confidentiality	Third Party Disclosure	25	0	1	\$2,434.40	\$811.47	\$417.20	\$1,228.67	\$1,228.67	\$30,717

Policies – Identical Policies										
Data Confidentiality Policies – Procedures and Usage Restrictions	Recordkeeping	25	0	1	\$0	\$0	\$0	\$0	\$0	\$0
Data Confidentiality Policies – Examination Report	Reporting	25	0	1	\$0	\$0	\$57,460.00	\$57,460.00	\$57,460.00	\$1,436,500
Secure Connectivity – Allow Listing	Recordkeeping	25	0	1	\$1,324.80	\$441.60	\$126.76	\$568.36	\$568.36	\$14,209
Breach Management - Policies and Procedures	Recordkeeping	25	0	1	\$1,992.20	\$664.07	\$1,137.96	\$1,802.03	\$1,802.03	\$45,051
Breach Management – Breach Notifications	Third Party Disclosure	25	0	1	\$0	\$0	\$550.24	\$550.24	\$550.24	\$13,756
TOTAL APPROXIMATE COST FOR ALL RESPONDENTS										\$6,824,207

a. Evaluation of the CISP

The CAT NMS Plan already requires the Participants to submit to the Commission, at least annually, a written assessment of the Plan Processor’s performance that is prepared by the CCO. The proposed amendments would newly require the CCO to evaluate elements of the CISP that relate to SAWs and, in collaboration with the CISO, to include a review of CAT Data extracted from the CAT System to assess the security risk of permitting such CAT Data to be extracted. The Participants would also have the right to review and comment on these new elements of the written assessment.

The respondents to this collection of information are the 25 Participants. Because the Commission preliminarily estimates that Plan Processor staff would need approximately 250 hours per year to perform the new evaluation required by the proposed amendments, the Commission preliminarily believes that the Participants would together incur an aggregate ongoing reporting burden of approximately \$129,900 per year, or that each Participant would incur an annual expense of approximately \$5,196.<sup>75</sup> In addition, the Commission preliminarily estimates that each Participant would spend approximately \$1,000 on external legal consulting costs or that all Participants would spend approximately \$25,000 on external legal consulting costs.<sup>76</sup>

<sup>75</sup> The estimated 250 hours of Plan Processor staff time include 100 hours by the CCO, 100 hours by the CISO, and 50 hours for an attorney. Accordingly, the Commission preliminarily estimates that the Participants would together incur an ongoing annual expense of \$129,900. (100 hours for CCO = \$54,300) + (100 hours for CISO = \$54,300) + (50 hours for Attorney = \$21,300). Each Participant would therefore incur an ongoing annual expense of \$5,196. \$129,900 / 25 Participants = \$5,196 per Participant.

<sup>76</sup> \$1,000 per Participant x 25 Participants = \$25,000.

**Therefore, the Commission preliminarily estimates that each Participant would incur an ongoing reporting cost of approximately \$6,196 annually to review and comment on these new elements, for an aggregate industry reporting cost of approximately \$154,900 annually.**<sup>77</sup>

b. Security Working Group

i. Attendance

The respondents to this collection of information are the 25 Participants. The proposed amendments would require the CISO to prepare for and attend meetings of the Security Working Group. The Commission preliminarily believes that the Security Working Group will meet weekly and that the CISO would spend 8 hours preparing for each meeting of the Security Working Group and 2 hours to attend each meeting. **Accordingly, the Commission preliminarily estimates that the Participants would incur an ongoing weekly aggregated third-party disclosure cost of approximately \$282,360 annually,** or that each Participant would incur an ongoing third-party disclosure cost of approximately \$11,294.40 annually.<sup>78</sup>

ii. Updates

The respondents to this collection of information are the 25 Participants. The proposed amendments would require the CISO to keep the Security Working Group apprised of relevant developments and to provide it with all information and materials necessary to fulfill its purpose. The Commission preliminarily believes that the CISO would spend approximately 50 hours per year to comply with these requirements. **Accordingly, the Commission preliminarily estimates that the Participants would incur an ongoing aggregated third-party disclosure cost of approximately \$27,150 annually,** or that each Participant would incur an ongoing third-party disclosure cost of approximately \$1,086 annually.<sup>79</sup>

c. SAWs

There are a number of costs associated with the proposed requirements related to SAWs.

i. Policies & Procedures, and Detailed Design Specifications

The respondents to this collection of information are the 25 Participants.

a. Policies & Procedures (Initial)

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<sup>77</sup> 25 hours per Participant x 25 Participants = 625 hours.

<sup>78</sup> 10 hours x 52 weeks = 520 hours. 520 hours for CISO = \$282,360. \$282,360 / 25 Participants = \$11,294.40 per year. \$11,294.40 per year / 52 weeks = \$217.20 per week.

<sup>79</sup> 50 hours for CISO = \$27,150. \$27,150 / 25 Participants = \$1,086 per year.

For the Plan Processor to develop a CISP that incorporates the SAW-specific additions that would be required under the proposed amendments, the Commission preliminarily estimates that the Participants would together incur an initial, one-time recordkeeping cost of approximately \$89,020, or that each Participant would incur an initial, one-time recordkeeping expense of approximately \$3,560.80, based on a preliminary estimate that Plan Processor staff would need approximately 270 hours to comply with these new requirements.<sup>80</sup> The Commission also preliminarily estimates that the Participants would incur an initial, one-time recordkeeping burden of approximately \$27,000, in connection with related legal and consulting costs, or that each Participant would incur an initial, one-time recordkeeping burden of approximately \$1,080.<sup>81</sup> When annualized over three years, **the Commission preliminarily estimates that the Participants would together incur an initial, one-time, recordkeeping cost of approximately \$38,673 annually,<sup>82</sup> or that each Participant would incur an initial, one-time, recordkeeping cost of approximately \$1,546.93 annually.<sup>83</sup>**

b. Ongoing Policies & Procedures

The Commission preliminarily estimates that Plan Processor staff would need approximately 175 hours per year to maintain those elements of the CISP that relate to SAWs. Accordingly, **the Commission preliminarily estimates that the Participants would incur an ongoing recordkeeping cost of approximately \$56,648 annually, or that each Participant would incur an ongoing recordkeeping cost of approximately \$2,265.92 annually.<sup>84</sup>**

c. Design Specifications (Initial)

For the Plan Processor to develop detailed design specifications for the technical implementation of the access, monitoring, and other controls required for SAWs, the Commission preliminarily estimates that Plan Processor staff would need approximately 160 hours. Accordingly, the Commission preliminarily estimates that the Participants would incur an initial, one-time recordkeeping cost of approximately \$56,180, or that each Participant would

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<sup>80</sup> (200 hours for senior systems analyst = \$58,200) + (40 hours for compliance attorney = \$14,960) + (20 hours for chief compliance officer = \$10,860) + (10 hours for director of compliance = \$5,000) = \$89,020. Each Participant would therefore incur an ongoing annual expense of \$3,560.80.  $\$89,020 / 25 \text{ Participants} = \$3,560.80 \text{ per Participant}$ .

<sup>81</sup>  $\$27,000 / 25 \text{ Participants} = \$1,080 \text{ per Participant}$ .

<sup>82</sup>  $\$89,020 + \$27,000 = \$116,020$ .  $\$116,020 / 3 \text{ years} = \$38,673.33 \text{ per year}$ .

<sup>83</sup>  $\$38,673.33 / 25 \text{ Participants} = \$1,546.93 \text{ per Participant per year}$ .

<sup>84</sup> (134 hours for senior systems analyst = \$38,994) + (26 hours for compliance attorney = \$9,724) + (10 hours for chief compliance officer = \$5,430) + (5 hours for director of compliance = \$2,500) = \$56,648. Each Participant would therefore incur an ongoing annual expense of approximately \$2,265.92.  $\$56,648 / 25 \text{ Participants} = \$2,265.92 \text{ per Participant}$ .

incur an initial, one-time recordkeeping cost of approximately \$2,247.20.<sup>85</sup> The Commission also preliminarily estimates that the Participants would incur an initial, one-time recordkeeping burden of approximately \$47,000 in external legal and consulting costs, or that each Participant would incur an initial, one-time recordkeeping burden of approximately \$1,880.<sup>86</sup> When annualized over three years, **the Commission preliminarily estimates that the Participants together would incur a one-time, initial recordkeeping cost of approximately \$34,393 annually, or that each Participant would incur an initial, one-time recordkeeping cost of approximately \$1,375.73 annually.**<sup>87</sup>

Finally, the Commission preliminarily believes that Plan Processor staff would need approximately 10 hours to make the required detailed design specifications available to Participants, such that the Participants would incur an initial, one-time third-party disclosure cost of approximately \$2,965, or that each Participant would incur an initial, one-time third-party disclosure expense of approximately \$118.60.<sup>88</sup> When annualized over three years, the **Commission preliminarily estimates that the aggregate industry third-party disclosure cost associated with providing the detailed design specifications to Participants would be approximately \$988 annually,** or approximately \$39.53 per Participant annually.<sup>89</sup>

d. Design Specifications (Ongoing)

To maintain the required detailed design specifications, **the Commission preliminarily estimates that the Participants would incur an ongoing expense of approximately \$48,250 annually, or that each Participant would incur an ongoing, annual expense of approximately \$1,930,** based on a preliminary estimate that Plan Processor staff would need approximately 145 hours per year to maintain the required detailed design specifications.<sup>90</sup>

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<sup>85</sup> (100 hours for senior systems analyst = \$29,100) + (30 hours for compliance attorney = \$11,220) + (20 hours for chief compliance officer = \$10,860) + (10 hours for director of compliance = \$5,000) = \$56,180. Each Participant would therefore incur an ongoing annual expense of \$2,247.20.  $\$56,180 / 25 \text{ Participants} = \$2,247.20 \text{ per Participant.}$

<sup>86</sup>  $\$47,000 / 25 \text{ Participants} = \$1,880 \text{ per Participant.}$

<sup>87</sup>  $\$56,180 + \$47,000 = \$103,180. \$103,180 / 3 \text{ years} = \$34,393.33 \text{ per year. } \$34,393.33 / 25 \text{ Participants} = \$1,375.73 \text{ per Participant per year.}$

<sup>88</sup> (5 hours for senior systems analyst = \$1,455) + (2 hours for compliance attorney = \$748) + (3 hours for webmaster = \$762) = \$2,965.  $\$2,965 / 25 \text{ Participants} = \$118.60 \text{ per Participant.}$

<sup>89</sup>  $\$2,965 / 3 \text{ years} = \$988.33 \text{ per year. } \$988.33 / 25 \text{ Participants} = \$39.53 \text{ per Participant per year.}$

<sup>90</sup> (100 hours for senior systems analyst = \$29,100) + (30 hours for compliance attorney = \$11,220) + (10 hours for chief compliance officer = \$5,430) + (5 hours for director of compliance = \$2,500) = \$48,250. Each Participant would therefore incur an ongoing annual expense of \$1,930.  $\$48,250 / 25 \text{ Participants} = \$1,930 \text{ per Participant.}$

ii. Implementation Requirements

The respondents to this collection of information are the 25 Participants. For the Plan Processor to evaluate each Participant's SAW to confirm that the SAW has achieved compliance with the detailed design specifications and notify the Operating Committee of such compliance, the Commission preliminarily estimates that the Participants would incur an initial, one-time third-party disclosure expense of approximately \$463,750, or that each Participant would incur an initial, one-time expense of approximately \$18,550, based on a preliminary estimate that Plan Processor staff would need approximately 45 hours per SAW to perform the required evaluation and notification of the Operating Committee.<sup>91</sup> When annualized over three years, **the Commission preliminarily estimates that the aggregate industry third-party disclosure cost would be approximately \$154,583 per year**, or approximately \$6,183.33 per Participant per year.<sup>92</sup>

iii. Operational Requirements

The respondents to this collection of information are the 25 Participants.

a. Operational Requirements (Initial)

The Commission preliminarily estimates that Plan Processor staff would need approximately 170 hours to build the automated monitoring systems that would enable the monitoring of the SAWs that is required by the proposed amendments. Accordingly, the Commission preliminarily believes that the Participants would incur an initial, one-time recordkeeping cost of approximately \$52,350, or that each Participant would incur an initial, one-time recordkeeping cost of approximately \$2,094.<sup>93</sup> When annualized over three years, **the Commission preliminarily estimates that the initial, one-time aggregate recordkeeping cost would be approximately \$17,450 per year, or approximately \$698 per Participant per year.**<sup>94</sup>

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<sup>91</sup> (20 hours for senior systems analyst = \$5,820) + (20 hours for chief information security officer = \$10,860) + (5 hours for compliance attorney = \$1,870) = \$18,550 per SAW. \$18,550 x 25 Participants = \$463,750.

<sup>92</sup> \$463,750 / 3 years = \$154,583.33 per year (rounded to \$154,583). \$154,583.33 / 25 Participants = \$6,183.33 per Participant per year.

<sup>93</sup> (40 hours for senior programmer = \$13,560) + (40 hours for programmer = \$11,120) + (40 hours for programmer = \$11,120) + (40 hours for programmer = \$11,120) + (10 hours for CISO = \$5,430) = \$52,350. Each Participant would therefore incur an initial, one-time expense of \$2,094. \$52,350 / 25 Participants = \$2,094.

<sup>94</sup> \$52,350 / 3 years = \$17,450 per year. \$17,450 / 25 Participants = \$698 per Participant per year.

b. Operational Requirements (Maintenance)

For the Plan Processor to maintain such systems and to monitor each Participant's SAW, the Commission preliminarily believes that Plan Processor staff would need approximately 2,150 hours per year to maintain the required systems and to conduct the required monitoring. Accordingly, **the Commission preliminarily estimates that the Participants would incur an ongoing recordkeeping cost of approximately \$629,220 per year, or that each Participant would incur an ongoing annual expense of approximately \$25,168.80.**<sup>95</sup>

c. Ongoing Requirements (Notification)

For the Plan Processor to notify the Participant of any identified non-compliance with the CISP or the detailed design specifications, the Commission preliminarily believes that the Plan Processor staff would identify 5 non-compliance events per year for each SAW, or 125 non-compliance events across all SAWs.<sup>96</sup> The Commission also preliminarily estimates that the Plan Processor staff would need approximately 1.5 hours for each notification of non-compliance. Accordingly, **the Commission preliminarily estimates that the Participants would incur an ongoing third-party disclosure cost of approximately \$58,969 per year,** or that each Participant would incur an ongoing third-party disclosure cost of approximately \$2,358.75 per year.<sup>97</sup>

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<sup>95</sup> The Commission preliminarily believes that one senior systems analyst working 40 hours per week could conduct the required monitoring for all SAWs. Accordingly, the Commission preliminarily estimates that the Participants would together incur an ongoing annual expense of \$605,280. 40 hours x 52 weeks = 2,080 hours. 2,080 hours for senior systems analyst = \$605,280. Each Participant would therefore incur an ongoing annual expense of \$24,211.20.  $\$605,280 / 25 \text{ Participants} = \$24,211.20$ . In addition, to maintain the automated monitoring systems, the Commission preliminarily estimates that Plan Processor staff would need 70 hours, including 30 hours for a senior programmer, 30 hours for a programmer, and 10 hours for the CISO. Accordingly, the Commission preliminarily estimates that the Participants would together incur an ongoing annual expense of \$23,940. (30 hours for senior programmer = \$10,170) + (30 hours for programmer = \$8,340) + (10 hours for CISO = \$5,430) = \$23,940. Each Participant would therefore incur an ongoing annual expense of \$957.60.  $\$23,940 / 25 \text{ Participants} = \$957.60$  per Participant. Altogether, the ongoing annual expenses to the Participants as a whole would be \$629,220, or \$25,168.80 for each individual Participant.  $\$605,280 + \$23,940 = \$629,220$ .  $\$629,220 / 25 \text{ Participants} = \$25,168.80$  per Participant.

<sup>96</sup> 5 events per SAW x 25 SAWs = 125 events.

<sup>97</sup> (0.5 hours for senior systems analyst = \$145.50) + (0.25 for compliance manager = \$79.25) + (0.25 for attorney = \$106.50) + (0.5 hours for senior business analyst = \$140.50) = \$471.75 per event. 125 events x \$471.75 = \$58,968.75 (rounded to \$58,969). Each Participant would therefore incur an ongoing annual expense of \$2,358.75.  $\$58,968.75 / 25 \text{ Participants} = \$2,358.75$  per Participant.



iv. Non-SAW Environments – Application Materials

a. Application Materials (Initial)

The Commission preliminarily estimates that 6 Participants will apply for an exception to the proposed SAW usage requirements and that a security assessment conducted by a named, independent security assessor would cost approximately \$250,000. Accordingly, the Commission preliminarily estimates that each Participant would spend an initial, one-time amount of approximately \$250,000 on external consulting costs to obtain the required security assessment and that the Participants would together incur an initial, aggregate one-time third-party disclosure cost of approximately \$1,500,000.<sup>98</sup> When annualized over three years, **the Commission preliminarily estimates that the initial, one-time aggregate third-party disclosure cost would be approximately \$500,000 per year, or approximately \$83,333.33 per Participant per year.**<sup>99</sup>

b. Application Materials (Ongoing)

Participants that are denied an exception or that want to apply for a continuance would incur the same cost as an ongoing third-party disclosure annual expense. The Commission preliminarily estimates that 6 Participants would re-apply for an exception or a continuance. Accordingly, **the Commission preliminarily estimates that each Participant would spend an ongoing annual amount of approximately \$250,000 on external consulting costs to obtain the required security assessment and that the Participants would incur an aggregate ongoing annual third-party disclosure expense of approximately \$1,500,000.**<sup>100</sup>

v. Non-SAW Environments – Exception and Revocation Determinations

The respondents to this collection of information would be the Participants.

a. Determinations (Initial)

The proposed amendments require the Plan Processor to develop policies and procedures governing the review of applications for exceptions to the proposed SAW usage requirements. Based on a preliminary estimate that Plan Processor staff would need approximately 130 hours to develop such policies and procedures, the Commission preliminarily estimates that the Participants would together incur an initial, one-time recordkeeping cost of \$55,920, or that each

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<sup>98</sup> \$250,000 per non-SAW environment x 6 Participants = \$1,500,000.

<sup>99</sup> \$1,500,000 / 3 years = \$500,000 per year. \$500,000 / 25 Participants = \$83,333.33 per Participant per year.

<sup>100</sup> \$250,000 per non-SAW environment x 6 Participants = \$1,500,000.

Participant would incur an initial, one-time recordkeeping expense of \$2,236.80.<sup>101</sup> When annualized over three years, **the Commission preliminarily estimates that the initial, one-time aggregate recordkeeping cost would be approximately \$18,640 per year, or approximately \$745.60 per Participant per year.**<sup>102</sup>

To review the initial applications for exceptions to the proposed SAW usage requirements and issue the required determination and supporting written statement, the Commission preliminarily estimates that Plan Processor staff would need approximately 200 hours. The Commission therefore preliminarily estimates that the Participants would incur an initial, one-time third-party disclosure expense of approximately \$550,560, or that each Participant would incur an initial, one-time third-party disclosure expense of \$22,022.40.<sup>103</sup> When annualized over three years, **the Commission preliminarily estimates that the initial, one-time aggregate third-party disclosure cost would be approximately \$183,520 per year, or approximately \$7,340.80 per Participant per year.**<sup>104</sup>

b. Determinations (Ongoing)

To maintain the policies and procedures governing the review of applications for exceptions, the Commission preliminarily estimates that Plan Processor staff would need approximately 65 hours per year to maintain and update maintain the policies and procedures governing the review of applications for exceptions. Accordingly, **the Commission preliminarily estimates that the Participants would together incur an ongoing recordkeeping cost of \$31,700 per year, or that each Participant would incur an ongoing recordkeeping cost of approximately \$1,268 per year.**<sup>105</sup>

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<sup>101</sup> (40 hours for CISO = \$21,720) + (40 hours for CCO = \$21,720) + (40 hours for compliance attorney = \$7,480) + (10 hours for director of compliance = \$5,000) = \$55,920. Each Participant would therefore incur an ongoing annual expense of \$3,560.80.  $\$55,920 / 25 \text{ Participants} = \$2,236.80 \text{ per Participant.}$

<sup>102</sup>  $\$55,920 / 3 \text{ years} = \$18,640 \text{ per year. } \$18,640 / 25 \text{ Participants} = \$745.60 \text{ per Participant per year.}$

<sup>103</sup> (60 hours by the CCO = \$32,580) + (60 hours by the CISO = \$32,580) + (40 hours for senior systems analyst = \$11,640) + (40 hours for compliance attorney = \$14,960) = \$91,760 per initial application.  $\$91,760 \times 6 \text{ Participants} = \$550,560.$  Each Participant would therefore incur an initial, one-time expense of \$22,022.40.  $\$550,560 / 25 \text{ Participants} = \$22,022.40 \text{ per Participant.}$

<sup>104</sup>  $\$550,560 / 3 \text{ years} = \$183,520 \text{ per year. } \$183,520 / 25 \text{ Participants} = \$7,340.80 \text{ per Participant per year.}$

<sup>105</sup> (20 hours by the CISO = \$10,860) + (20 hours by the CCO = \$10,860) + (20 hours for compliance attorney = \$7,480) + (5 hours for director of compliance = \$2,500) = \$31,700. Each Participant would therefor incur an ongoing annual expense of \$1,268.  $\$31,700 / 25 \text{ Participants} = \$1,268 \text{ per Participant.}$

The Commission preliminarily believes that the ongoing annual expenses associated with the review of each application for a continued exception would be the same, as the process for continued exceptions is the same as the process for initial applications. Therefore, in connection with applications for a continued exception, **the Commission preliminarily estimates that the Participants would together incur an ongoing third-party disclosure cost of approximately \$550,560 per year, or that each Participant would incur an ongoing third-party disclosure cost of \$22,022.40 per year.**

c. Revocations

Additionally, for each such instance where Participants would be denied a continued exception, the Commission preliminarily believes that Plan Processor staff would need approximately 40 hours to revoke the exception and to determine which remediation timeframe the Participant should be applied. The Commission is unable to estimate in advance how often these instances might occur; however, for the purposes of this submission only, the Commission has estimated this would happen to one Participant per year. Accordingly, **the Commission preliminarily estimates that the Participants would together incur an ongoing third-party disclosure cost of approximately \$17,510 per year, or that each Participant would incur an ongoing third-party disclosure cost of approximately \$700.40 per year.**<sup>106</sup>

vi. Non-SAW Environments – Implementation Requirements

The respondents to this collection of information are the Participants. For the Plan Processor to evaluate each Participant's non-SAW environment to confirm that it has achieved compliance with the detailed design specifications and notify the Operating Committee of such compliance, the Commission preliminarily believes that Plan Processor staff would need approximately 45 hours per non-SAW environment. In addition, the Commission estimates that the Plan Processor will only need to evaluate 6 non-SAW environments. Accordingly, the Commission preliminarily estimates that the Participants would incur an initial, one-time third-party disclosure cost of approximately \$111,300, or that each Participant would incur an initial, one-time third-party disclosure cost of \$4,452.<sup>107</sup> **When annualized over three years, the**

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<sup>106</sup> (10 hours by the CCO = \$5,430) + (10 hours by the CISO = \$5,430) + (10 hours for senior systems analyst = \$2,910) + (10 hours for compliance attorney = \$3,740) = \$17,510 per application. Each Participant would therefore incur an ongoing annual expense of \$700.40.  $\$17,510 / 25 \text{ Participants} = \$700.40 \text{ per Participant.}$

<sup>107</sup> (20 hours for senior systems analyst = \$5,820) + (20 hours for chief information security officer = \$10,860) + (5 hours for compliance attorney = \$1,870) = \$18,550 per non-SAW environment.  $\$18,550 \times 6 \text{ non-SAW environments} = \$111,300.$  Each Participant would therefore incur an initial, one-time expense of \$4,452.  $\$111,300 / 25 \text{ Participants} = \$4,452 \text{ per Participant.}$

**Commission preliminarily estimates that the aggregate industry third-party disclosure cost would be approximately \$37,100 per year**, or approximately \$1,484 per Participant per year.<sup>108</sup>

vii. Non-SAW Environments – Operational Requirements (Notification)

The respondents to this collection of information are the Participants.

With respect to the proposed requirement that the Plan Processor monitor the non-SAW environment, the Commission preliminarily believes that Plan Processor staff would need approximately 1,040 hours to conduct such monitoring. **Accordingly, the Commission preliminarily estimates that the industry would incur an aggregate ongoing recordkeeping cost of approximately \$302,640 per year**, or that each Participant would incur an ongoing recordkeeping cost of approximately \$12,105.60.<sup>109</sup>

For the Plan Processor to notify the Participant of any identified non-compliance with the detailed design specifications, the Commission preliminarily estimates that the Plan Processor would identify 5 non-compliance events per year per non-SAW environment, or 30 non-compliance events across all non-SAW environments.<sup>110</sup> The Commission also preliminarily estimates that the Plan Processor staff would need approximately 1.5 hours on each notification of non-compliance. **Accordingly, the Commission preliminarily estimates that the Participants would incur an ongoing third-party disclosure cost of approximately \$14,153 per year**, or that each Participant would incur an ongoing third-party disclosure cost of approximately \$566.10 per year.<sup>111</sup>

d. Online Targeted Query Tool and Logging of Access and Extraction

i. Additional Logging

The respondents to this collection of information would be the 25 Participants. The Commission preliminarily estimates that the Participants would incur an initial, one-time

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<sup>108</sup> \$463,750 / 3 years = \$154,583.33 per year. \$154,583.33 / 25 Participants = \$6,183.33 per Participant per year.

<sup>109</sup> 20 hours x 52 weeks = 1,040 hours. 1,040 hours for senior systems analyst = \$302,640. Each Participant would therefore incur an ongoing annual expense of \$12,105.60. \$302,640 / 25 Participants = \$12,105.60.

<sup>110</sup> 5 events per non-SAW environment x 6 non-SAW environments = 30 events.

<sup>111</sup> (0.5 hours for senior systems analyst = \$145.50) + (0.25 for compliance manager = \$79.25) + (0.25 for attorney = \$106.50) + (0.5 hours for senior business analyst = \$140.50) = \$471.75 per event. 30 events x \$471.75 = \$14,152.50 (rounded to \$14,153). Each Participant would therefore incur an ongoing annual expense of \$566.10. \$14,152.50 / 25 Participants = \$566.10.

external expense of \$87,960, or a per Participant expense of \$3,518.40<sup>112</sup> for Plan Processor staff time required to make the initial necessary programming and systems changes to log delivery of results and the access and extraction of CAT Data, based on a preliminary estimate that it would take 260 hours of Plan Processor staff time to implement these changes.<sup>113</sup> **Therefore, the Commission preliminarily estimates that when annualized over three years, this initial recordkeeping cost would be approximately \$29,320 annually**, or \$1,172.80 per Participant annually.<sup>114</sup>

**The Commission preliminarily estimates that the Participants would incur an annual ongoing external expense of \$5,100**, or \$204 per Participant,<sup>115</sup> for Plan Processor staff time required to generate and provide the additional information required by proposed Section Appendix D, Section 8.1.1, which the Commission preliminarily estimates to be 2 Plan Processor hours for each monthly report or 24 hours annually.<sup>116</sup> **Therefore, the Commission preliminarily estimates** that each Participant would incur an initial reporting cost of approximately \$3,518.40 and an ongoing reporting cost of approximately \$204 to satisfy this information collection requirement, for **an aggregate industry reporting cost of approximately \$34,420 per year**.<sup>117</sup>

e. CAT Customer and Account Attributes

The respondents to this collection of information would be the 25 Participants. The proposed amendments will require modifications to the CAT System to develop the CCID Subsystem to generate Customer-IDs using Transformed Values, as opposed to SSNs or ITINs.

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<sup>112</sup>  $\$87,960 / 25 \text{ Participants} = \$3,518.40 \text{ per Participant.}$

<sup>113</sup> The estimated 260 hours of Plan Processor staff time include 160 hours by a Senior Programmer, 40 hours by a Senior Database Administrator, 40 hours for a Senior Business Analyst and 20 hours for an Attorney. The Commission preliminarily estimates that the initial, one-time external expense for Participants will be  $\$87,960 = (\text{Senior Programmer for 160 hours at } \$339 \text{ an hour} = \$54,240) + (\text{Senior Database Administrator for 40 hours at } \$349 \text{ an hour} = \$13,960) + (\text{Senior Business Analyst for 40 hours at } \$281 \text{ an hour} = \$11,240) + (\text{Attorney for 20 hours at } \$426 \text{ an hour} = \$8,520).$

<sup>114</sup>  $(\$3,518.40 / 3 \text{ years} = \$1,172.80) \times 25 \text{ Participants} = \$29,320$

<sup>115</sup>  $\$5,100 / 25 \text{ Participants} = \$204 \text{ per Participant.}$

<sup>116</sup> The estimated 2 hours of Plan Processor staff time include 1 hour by a Programmer Analyst and 1 hour by a Junior Business Analyst. This estimate would apply monthly, meaning the annual ongoing estimate would be 24 hours of Plan Processor staff time, which would include 12 hours by a Programmer Analyst and 12 hours by a Junior Business Analyst. The Commission preliminarily estimates the annual ongoing external cost to generate and provide the proposed information on logs would be  $\$5,100 = (\text{Programmer Analyst for 12 hours at } \$246 \text{ per hour} = \$2,952) + (\text{Junior Business Analyst for 12 hours at } \$179 \text{ an hour} = \$2,148).$

<sup>117</sup>  $((\$3,518.40 / 3 \text{ years} = \$1,172.80) + \$240) \times 25 \text{ Participants} = \$34,420.$

Therefore Commission estimates that the modifications necessary to the CAT System to develop the CCID Subsystem to generate Customer-IDs using Transformed Values, as opposed to SSNs or ITINs, would result in an initial, one-time recordkeeping aggregate external cost of \$650,052 for the Participants,<sup>118</sup> or \$26,002 for each Participant.<sup>119</sup> **When annualized over three years, this initial recordkeeping cost would be approximately \$216,683 annually,** or \$8,667.33 per Participant annually.<sup>120</sup>

f. Customer Identifying Systems Workflow – Audit Trail Report

The proposed amendments require the Plan Processor maintain a full audit trail of access to Customer Identifying Systems by each Participant and the Commission (who accessed what data within each Participant, and when) and provide such audit trail of each Participant's and the Commission's access to each the Participant and the Commission for their respective users on a monthly basis, and the requirement to provide the Operating Committee with the daily reports that list all users who are entitled to Customer Identifying Systems access on a monthly basis.<sup>121</sup>

The respondents to this collection of information would be the 25 Participants. Therefore, **the Commission preliminarily estimates that it will result in an aggregate third-party disclosure ongoing annual external cost to the Participants of \$373,464 per year** or \$14,939 per Participant.<sup>122</sup> This cost represents approximately \$700 per monthly report – one

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<sup>118</sup> The Commission preliminarily estimates the one-time aggregate external cost to update the CAT System to ingest and use the Transformed Value reported by Industry Members would be \$650,000. The Commission preliminarily believes that this modification will take an estimated 2,101 hours of Plan Processor staff time including 130 hours by the CCO, 130 hours by the CISO, 602 hours by a Senior Programmer and 1239 hours by a Program Analyst. Accordingly, the Commission preliminarily estimates that the Participants would together incur a one-time aggregated external cost \$650,052. (Chief Compliance Officer for 130 hours at \$543 per hour = \$70,590) + (Chief Information Security Officer for 130 hours at \$543 per hour = \$70,590) + (Senior Programmer for 602 hours at \$339 = \$204,078) + (Program Analyst for 1239 hours at \$246 = \$304,794) = \$650,052. \$650,052 / 25 Participants = \$26,002 / Participant.

<sup>119</sup> \$650,052 / 25 Participants = \$26,002 per Participant.

<sup>120</sup> \$26,002 per Participant / 3 years = \$8,667.33 per Participant per year. \$8,667.33 x 25 Participants = \$216,683.33 (rounded to \$216,683).

<sup>121</sup> See proposed Appendix D, Section 4.1.6.

<sup>122</sup> The Commission estimates that each monthly report will require 2 hours by an Operations Specialist, 1 hour by an Attorney, and 1 hour by the Chief Compliance Officer. The ongoing aggregate cost for Participants is preliminarily estimated to be \$373,464. (2 hours for Operational Specialist x \$140 = \$280) + (1 hours for compliance attorney x \$374 = \$374) + (1 hour for chief compliance officer x \$543 = \$543) = \$1,197. \$1,197 x 12 months = \$14,364. For the Commission report paid for by the Participants, the cost is \$14,364 annually, or \$1,197 per month. \$1,197 per month / 25 Participants = additional incremental monthly cost of \$47.88 per Participant. Thus, the total ongoing

monthly report to the Operating Committee, and the daily reports of all users to the Operating Committee on a monthly basis.

g. Proposed Confidentiality Policies, Procedures and Usage Restrictions

The Commission believes that Participants already have individual policies and procedures relating to the confidentiality of CAT Data, as required by existing provisions of the CAT NMS Plan, and Participants can use these existing policies and procedures in order to help prepare, review and approve the policies and procedures required by proposed Section 6.5(g)(i).

i. Data Confidentiality Policies – Identical Policies

The respondents to this collection of information would be the 25 Participants. The Commission preliminarily estimates that it would require 10 hours by the CCO and 10 hours by the CISO, both employees of the Plan Processor and not the Participants, to review the Proposed Confidentiality Policies, as required by proposed Sections 6.2(a)(v)(R) and 6.2(b)(viii). The Commission preliminarily estimates that this would result in a one-time external cost of \$10,860 for Participants,<sup>123</sup> or \$434.40 for each Participant.<sup>124</sup> The Commission also preliminarily believes that the Participants will consult with outside legal counsel in the drafting of the Proposed Confidentiality Policies, and estimates this external cost to be \$50,000, or \$2,000<sup>125</sup> for each Participant.<sup>126</sup> Thus, the Commission believes that the total initial one-time external cost burden for each Participant will be \$2,434.40, or \$60,860 for all Participants.<sup>127</sup>

For purposes of this Paperwork Reduction Act analysis only, the Commission preliminarily estimates that the Participants would revise the Proposed Confidentiality Policies once a year, which would require review by the CCO and CISO of the Plan Processor, as required by proposed Sections 6.2(a)(v)(R) and 6.2(b)(viii). The Commission preliminarily believes that the CCO and CISO would require less time to review subsequent updates to the Proposed Confidentiality Policies, so the Commission preliminarily estimates that it would require 5 hours of review by the CCO and 5 hours of review by the CISO, which would result in

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monthly cost per Participant is \$1,244.88 (\$1,197 + \$47.88). \$1,244.88 x 25 Participants = \$373,464. Each Participant would therefore incur an ongoing annual expense of \$14,939 (\$373,464/25 Participants).

<sup>123</sup> \$10,860 = (Chief Compliance Officer for 10 hours at \$543 per hour = \$5,430) + (Chief Information Security Officer for 10 hours at \$543 per hour = \$5,430).

<sup>124</sup> \$10,860 / 25 Participants = \$434.40 per Participant.

<sup>125</sup> \$50,000 / 25 Participants = \$2,000 per Participant.

<sup>126</sup> \$50,000 = (100 hours at \$500 an hour). For purposes of this Paperwork Reduction Act analysis, the Commission is estimating the cost of outside legal counsel to be \$500 an hour.

<sup>127</sup> \$2,434.40 x 25 Participants = \$60,860.

an external cost of \$5,430 for the Participants,<sup>128</sup> and \$217.20 for each Participant annually.<sup>129</sup> In addition, the Commission preliminarily estimates that Participants will consult with outside legal counsel in updating the Proposed Confidentiality Policies, and preliminarily estimates this external cost to be \$5,000.<sup>130</sup> In total, the Commission preliminarily estimates an aggregate external cost of \$10,430 for all Participants related to reviewing and updating the Proposed Confidentiality Policies, or \$417.20 per Participant.<sup>131</sup>

**Therefore, the Commission preliminarily estimates that each Participant would incur an initial third party disclosure cost of \$2,434.40 and an ongoing third party disclosure cost of approximately \$417.20 to satisfy this information collection requirement, for an aggregate industry reporting cost of approximately \$30,717 annually, when annualized over three years.**<sup>132</sup>

i. Data Confidentiality Policies – Procedures and Usage Restriction Controls

The Commission preliminarily estimates that there is no external cost burden associated with the proposed documentation, procedures and usage restriction controls required by proposed Section 6.5(g)(i) and the Data Confidentiality Policies.

ii. Data Confidentiality Policies – Examination Report

The respondents to this collection of information would be the 25 Participants. The Commission preliminarily estimates that the annual ongoing external cost of compliance with Section 6.5(g)(v), which requires each Participant to engage an independent accountant to perform an examination of compliance with the policies required by Section 6.5(g)(i) and submit the examination report to the Commission, would be \$57,460 for each Participant.<sup>133</sup> The Commission preliminarily believes that this would be the average cost of engaging an independent accountant to perform the necessary examination on an annual basis. **Therefore, the Commission preliminarily estimates that each Participant would incur an ongoing**

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<sup>128</sup> \$5,430 = (Chief Compliance Officer for 5 hours at \$543 per hour = 2,715) + (Chief Information Security Officer for 5 hours at \$543 per hour = \$2,715).

<sup>129</sup> \$5,430 / 25 Participants = \$217.20 per Participant.

<sup>130</sup> \$5,000 = (outside legal counsel for 10 hours at \$500 an hour).

<sup>131</sup> \$10,430 / 25 Participants = \$417.20 per Participant.

<sup>132</sup> (((\$2,434.40 / 3 years = \$811.47) + \$417.20) x 25 Participants = \$30,716.67).

<sup>133</sup> The Commission preliminarily estimates it would require 170 hours by a Manager Internal Audit to perform the examination. The preliminary estimated cost of engaging an independent accountant to perform the examination of compliance and submit an examination report is \$57,460 (Manager Internal Audit at \$338 an hour for 170 hours).



**reporting cost of approximately \$57,460 to satisfy this information collection requirement, for an aggregate industry reporting cost of approximately \$1,436,500 per year.**<sup>134</sup>

h. Secure Connectivity – Allow Listing

The respondents to this collection of information would be the 25 Participants. The Commission estimates that the proposed amendment to Appendix D, Section 4.1.1 of the CAT NMS Plan, requiring the Plan Processor to implement capabilities to allow access (i.e., “allow list”) only to those countries or more granular access points where CAT reporting or regulatory use is both necessary and expected would result in an initial, one-time aggregate external cost of \$13,690 for the Participants, or \$547.60 for each Participant.<sup>135</sup> This cost represents expenses associated with Plan Processor staff time required to develop the list of discrete access points that are approved for use, which the Commission estimates would be 30 hours of staff time.<sup>136</sup> In addition, the Commission estimates that Participants will incur an aggregate ongoing external cost burden of \$1,226, or \$49.04 for each Participant,<sup>137</sup> for Plan Processor staff time required to maintain and update the list of discrete access points, which the Commission estimates would be 3 hours of staff time.<sup>138</sup>

The Commission estimates that the proposed requirement that the Plan Processor develop policies and procedures to allow access if the source location for a particular instance of access

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<sup>134</sup> \$57,460 x 25 Participants = \$1,436,500.

<sup>135</sup> \$13,690 / 25 Participants = \$547.60 per Participant.

<sup>136</sup> The Commission preliminarily believes that creation of the documentation necessary for “allow listing” could require legal advice, discussions with staff familiar with CAT security and higher level discussions and analysis. The estimated 30 hours of Plan Processor staff time include 5 hours by an Attorney, 5 hours by an Operations Specialist, 10 hours by the Chief Compliance Officer and 10 hours by the Chief Information Security Officer. The initial, one-time aggregate cost for Participants is preliminarily estimated to be \$ = \$13,690 (Attorney for 5 hours at \$426 per hour = \$2,130) + (Operations Specialist for 5 hours at \$140 per hour = \$700) + (Chief Compliance Officer for 10 hours at \$543 per hour = \$5,430) + (Chief Information Security Officer for 10 hours at \$543 per hour = \$5,430).

<sup>137</sup> \$1,226 / 25 Participants = \$49.04 per Participant.

<sup>138</sup> The Commission believes it is appropriate to estimate that the Plan Processor staff time required to maintain and update the list as approximately one-tenth the staff time required to initially create the list. Specifically, the estimated aggregate ongoing external cost is based on an estimate of 3 hours of Plan Processor staff time include 1 hour by an Operations Specialist, 1 hour by the Chief Compliance Officer and 1 hour by the Chief Information Security Officer. The estimated aggregate ongoing external cost is preliminarily estimated to be \$1,226 = (Operations Specialist for 1 hour at \$140) + (Chief Compliance Officer for 1 hour at \$543) + (Chief Information Security Officer for 1 hour at \$543).

cannot be determined technologically, as required by proposed Appendix D, Section 4.1.1 of the CAT NMS Plan, would require an aggregate one-time initial external cost of \$19,430 for the Participants, or \$777.20 for each individual Participant.<sup>139</sup> This cost represents expenses associated with Plan Processor staff time required to create these policies and procedures, which the Commission estimates would be 50 hours of staff time.<sup>140</sup> Further, the Commission estimates that the Participants will incur an aggregate ongoing external cost of \$1,943, or \$77.72 for each individual Participant,<sup>141</sup> for Plan Processor staff time required to maintain, update and enforce these policies and procedures, which the Commission estimates would be 5 hours of staff time.<sup>142</sup>

**Therefore, the Commission preliminarily estimates that each Participant would incur an initial recordkeeping cost of approximately \$1,324.80<sup>143</sup> and an ongoing recordkeeping cost of approximately \$126.76<sup>144</sup> to satisfy this information collection requirement, for an aggregate industry reporting cost of approximately \$14,209 annually when annualized over three years.**<sup>145</sup>

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<sup>139</sup> \$19,430 / 25 Participants = \$777.20 per Participant.

<sup>140</sup> The estimate 50 hours of Plan Processor staff time include 10 hours by an Attorney, 10 hours by a Senior Systems Analyst, 10 hours by an Operations Specialist, 10 hours by the Chief Compliance Officer and 10 hours by the Chief Information Security Officer. The initial, one-time aggregate cost for Participants is preliminarily estimated to be \$19,430 = (Attorney for 10 hours at \$426 per hour = \$4,260) + (Senior Systems Analyst for 10 hours at \$291 per hour = \$2,910) + (Operations Specialist for 10 hours at \$140 per hour = \$1,400) + (Chief Compliance Officer for 10 hours at \$543 per hour = \$5,430) + (Chief Information Security Officer for 10 hours at \$543 per hour = \$5,430).

<sup>141</sup> \$1,943 / 25 Participants = \$77.72 per Participant.

<sup>142</sup> The Commission believes it is appropriate to estimate that the Plan Processor staff time required to maintain, update and enforce these policies and procedures should be approximately one-tenth the staff time required to initially create these policies and procedures. Specifically, the Commission estimates 5 hours of Plan Processor staff time that includes 1 hour by an Attorney, 1 hour by a Senior Systems Analyst, 1 hour by an Operations Specialist, 1 hour by the Chief Compliance Officer and 1 hour by the Chief Information Security Officer. The ongoing external cost is preliminarily estimated to be \$ = (Attorney for 1 hour at \$426) + (Senior Systems Analyst for 1 hour at \$291) + (Operations Specialist for 1 hour at \$140) + (Chief Compliance Officer for 1 hour at \$543) + (Chief Information Security Officer for 1 hour at \$543).

<sup>143</sup> \$547.60 + \$777.20 = \$1,324.80.

<sup>144</sup> \$49.04 + \$77.72 = \$126.76.

<sup>145</sup> (((\$1,324.80 / 3 years = \$441.60) + \$126.76) x 25 Participants = \$14,209.

i. Breach Management Policies and Procedures

The Plan Processor is already required to establish policies and procedures and a cyber incident response plan pursuant to Section 4.1.5 of the CAT NMS Plan, so the Commission believes it is appropriate to estimate a burden of revising breach management policies and procedures and the cyber incident response plan relate to the new elements required by proposed Section 4.1.5 of the CAT NMS Plan. The respondents to this collection of information would be the 25 Participants.

i. Breach Management – Policies and Procedures

The Commission preliminarily believes that these requirements would result in a one-time external cost of \$49,805 for Participants, or \$1,992.20 per Participant,<sup>146</sup> based on the Commission's estimation that it would require approximately 124 Plan Processor staff hours to incorporate the new elements required by proposed Section 4.1.5 of the CAT NMS Plan.<sup>147</sup> Further, the Commission estimates that the Participants will incur an aggregate ongoing external cost of \$42,205, or \$1,688.20 for each individual Participant,<sup>148</sup> for Plan Processor staff time required to maintain, update and enforce these policies and procedures and the cyber incident response plan, which the Commission estimates would be 103 hours of Plan Processor staff time annually.<sup>149</sup> This external aggregate cost estimate includes enforcement of the requirements of the cyber incident response plan relating to the proposed breach notification requirement, which

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<sup>146</sup> \$49,805 / 25 Participants = \$1,992.20 per Participant.

<sup>147</sup> The estimate of 124 hours of Plan Processor staff time include 32 hours by an Attorney, 32 hours by a Compliance Manager, 10 hours by a Senior Systems Analyst, 10 hours by an Operations Specialist, 20 hours by the Chief Compliance Officer and 20 hours by the Chief Information Security Officer. The total estimated one-time external cost for Participants is \$49,805 = (Attorney for 32 hours at \$426 per hour = \$13,631) + (Compliance Manager for 32 hours at \$317 per hour = \$10,144) + (Senior Systems Analyst for 10 hours at \$291 per hour = \$2,910) + (Operations Specialist for 10 hours at \$140 per hour = \$1,400) + (Chief Compliance Officer for 20 hours at \$543 per hour = \$10,860) + (Chief Information Security Officer at \$543 per hour = \$10,860).

<sup>148</sup> \$42,205 / 25 Participants = \$1,688.20 per Participant.

<sup>149</sup> The estimated aggregate ongoing external cost is based on an estimate of 103 hours of Plan Processor staff time that includes 23 hours by an Attorney, 23 hours by a Compliance Manager, 16 hours by a Senior Systems Analyst, 3 hours by an Operations Specialist, 9 hours by an Assistant General Counsel, 17 hours by the Chief Compliance Officer and 12 hours by the Chief Information Security Officer. The estimated aggregate ongoing external cost is preliminarily estimated to be \$42,205 = (Attorney for 23 hours at \$426 per hour = \$9,798) + (Compliance Manager for 23 hours at \$317 per hour = \$7,291) + (Senior Systems Analyst for 16 hours at \$291 per hour = \$4,656) + (Operations Specialist for 3 hours at \$140 per hour = \$420) + (Assistant General Counsel for 9 hours at \$477 per hour = \$4,293) + (Chief Compliance Officer for 17 hours at \$543 per hour = \$9,231) + (Chief Security Officer for 12 hours at \$543 per hour = \$6,516).

is accounted for in the following information collection,<sup>150</sup> as well as staff time for documenting breaches that the Plan processor reasonably estimates would have no impact or a de minimis impact on the Plan Processor's operations or on market participants.<sup>151</sup>

**Therefore, the Commission preliminarily estimates that each Participant would incur an initial recordkeeping cost of approximately \$1,992.20 and an ongoing recordkeeping cost of approximately \$1,137.96 to satisfy this information collection requirement, for an aggregate industry reporting cost of approximately \$45,051 per year.**<sup>152</sup>

ii. Breach Management – Breach Notifications

The Commission preliminarily estimates that providing breach notifications will require 34 hours of staff time annually from the Plan Processor, resulting in an ongoing annual external cost burden of \$13,756 for the Participants, or \$550.24 for each Participant (\$13,756 / 25 Participants).<sup>153</sup> This estimate relates only to the proposed requirement that the Plan Processor

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<sup>150</sup> The external third party disclosure cost of providing breach notifications are provided separately below. See, infra, note 153, and accompanying text. The Commission preliminarily estimates that providing breach notifications will require 34 hours of staff time annually from the Plan Processor, resulting in an ongoing annual external cost burden of \$13,756 for the Participants, or \$550.24 for each Participant (\$13,756 / 25 Participants). See, infra, note 153. This figure is subtracted from the above mentioned estimated ongoing external cost in determining the aggregate industry reporting cost for this information collection, because it is accounted for in a separate information collection below.

<sup>151</sup> The Commission preliminarily estimates that this requirement will require 30 hours of staff time annually from the Plan Processor, resulting in an ongoing annual external cost of \$12,324 to the Participants, or \$492.96 per Participant (\$12,324 / 25 Participants). The 30 hours include 6 hours by an Attorney, 6 hours by a Compliance Manager, 6 hours by a Senior Systems Analyst, 6 hours by an Assistant General Counsel, 3 hours by the Chief Compliance Officer and 3 hours by the Chief Information Security Officer. The ongoing external cost of this obligation is preliminarily estimated to be \$12,324 = (Attorney for 6 hours at \$426 per hour = \$2,556) + (Compliance Manager for 6 hours at \$317 per hour = \$1,902) + (Senior Systems Analyst for 6 hours at \$291 per hour = \$1,746) + (Assistant General Counsel for 6 hours at \$477 per hour = \$2,862) + (Chief Compliance Officer for 3 hours at \$543 per hour = \$1,629) + (Chief Information Security Officer for 3 hours at \$543 per hour = \$1,629).

<sup>152</sup>  $((\$1,992.20 / 3 \text{ years} = \$664.07) + \$1,137.96) \times 25 \text{ Participants} = \text{approximately } \$45,051.$

<sup>153</sup> The 34 hours include 8 hours by an Attorney (Attorney for 8 hours at \$426 an hour = \$3,408), 8 hours by a Compliance Manager (Compliance Manager for \$317 an hour = \$2,536), 7 hours by a Senior Systems Analyst (Senior Systems Analyst for 7 hours at \$291 an hour = \$2,037), 3 hours by an Assistant General Counsel (Assistant General Counsel for 3 hours at \$477 per hour = \$1,431), 4 hours by a Chief Compliance Officer

provide breach notifications and does not include other costs related to breaches, such as determination of whether a breach has occurred or assessing the scope of any breach, which is already required by the CAT NMS Plan. **Therefore, the Commission preliminarily estimates that each Participant would incur an ongoing third party disclosure cost of approximately \$550.24 to satisfy this information collection requirement, for an aggregate industry reporting cost of approximately \$13,756 per year.**<sup>154</sup>

j. Customer Information for Allocation Report FDIDs

As discussed above, the Commission preliminarily believes that this requirement is already accounted for in the existing information collections burdens associated with Rule 613 and the CAT NMS Plan Approval Order submitted under OMB number 3235-0671, and thus there are no costs for this collection of information.

**14. Cost to Federal Government**

The federal government would not incur a cost in connection with the collection of this information.

**15. Changes in Burden**

Not applicable.

**16. Information Collection Planned for Statistical Purposes**

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

**17. OMB Expiration Date Display Approval**

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

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

**B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS**

This collection does not involve statistical methods.

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(Chief Compliance Officer for 4 hours at \$543 per hour = \$2,172) and 4 hours by the Chief Information Security Officer (Chief Information Security Officer for 4 hours at \$543 per hour = \$2,172) = \$13,756.

<sup>154</sup> \$550.24 x 25 Participants = \$13,756.