

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for Rule 18a-6**  
**3235-0751**

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

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) into law.<sup>1</sup> Section 764 of the Dodd-Frank Act added section 15F to the Securities Exchange Act of 1934 (the “Exchange Act”),<sup>2</sup> which provides that the Commission shall adopt rules governing reporting and recordkeeping for security-based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”).<sup>3</sup>

Accordingly, on September 19, 2019, the Commission adopted amendments to its recordkeeping and reporting rules for broker-dealers as well as new recordkeeping and reporting rules for SBSDs and MSBSPs (the “SBS Recordkeeping Release”).<sup>4</sup> The SBS Recordkeeping Release adopted Exchange Act Rule 18a-6 (in conjunction with Exchange Act Rule 18a-5) to establish recordkeeping requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.<sup>5</sup> Rule 18a-6 is modeled on Exchange Act Rule 17a-4, which applies to broker-dealers, but Rule 18a-6 does not include a parallel requirement for every requirement in Rule 17a-4 because some of the requirements in Rule 17a-4 relate to activities that are not expected or permitted of stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.

Rule 18a-6 establishes a number of new collections of information. The table below provides a summary of the new collections of information, noting the type of record that is required to be created, the specific provision in the rule that requires the record to be created, and the entity to which the provision in the rule applies.

---

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

<sup>2</sup> See Public Law 111-203, § 764; 15 U.S.C. 78o-10.

<sup>3</sup> See 15 U.S.C. 78o-10(f)(2).

<sup>4</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rules*, Exchange Act Release No. 87005 (Sept. 19, 2019), 84 FR 68550 (Dec. 16, 2019).

<sup>5</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rules*, Exchange Act Release No. 87005 (Sept. 19, 2019), 84 FR 68550 (Dec. 16, 2019).

	Non-model stand-alone SBSDs	Model stand-alone SBSDs	Bank SBSDs	Stand-alone MSBSPs
Records To Be Preserved for a Period of Not Less Than 6 Years				
Trade blotters	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(1)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)
General ledger	Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)		Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)
Ledgers for customer and non-customer accounts	Rule 18a-6(a)(1) citing Rule 18a-5(a)(3)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(3)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(2)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(3)
Stock record	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(3)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)
Records To Be Preserved for a Period of Not Less Than 3 Years				
Memoranda of brokerage orders			Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(4)	
Memoranda of proprietary orders	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(5)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(5)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(5)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(5)
Confirmations	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(6)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(6)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(6)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(6)
Accountholder information	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(7)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(7)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(7)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(7)
Options positions	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(8)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(8)		Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(8)
Trial balances and computation of net capital	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(9)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(9)		Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(9)
Account equity and margin calculations under Rule 18a-3	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(12)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(12)		Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(12)
Possession or control requirements under Rule 18a-4	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(13)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(13)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(9)	
Customer reserve requirements under Rule 18a-4	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(14)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(14)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(10)	
Unverified transactions	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(15)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(15)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(11)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(15)
Political contributions	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(16)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(16)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(12)	
Compliance with business conduct requirements	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(17)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(17)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(13)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(17)
Bank records	Rule 18a-6(b)(1)(ii)	Rule 18a-6(b)(1)(ii)		Rule 18a-6(b)(1)(ii)
Bills	Rule 18a-6(b)(1)(iii)	Rule 18a-6(b)(1)(iii)		Rule 18a-6(b)(1)(iii)
Communications	Rule 18a-6(b)(1)(iv)	Rule 18a-6(b)(1)(iv)	Rule 18a-6(b)(2)(ii)	Rule 18a-6(b)(1)(iv)
Trial balances	Rule 18a-6(b)(1)(v)	Rule 18a-6(b)(1)(v)		Rule 18a-6(b)(1)(v)
Account documents	Rule 18a-6(b)(1)(vi)	Rule 18a-6(b)(1)(vi)	Rule 18a-6(b)(2)(iii)	Rule 18a-6(b)(1)(vi)
Written agreements	Rule 18a-6(b)(1)(vii)	Rule 18a-6(b)(1)(vii)	Rule 18a-6(b)(2)(iv)	Rule 18a-6(b)(1)(vii)
Information supporting financial reports	Rule 18a-6(b)(1)(viii)	Rule 18a-6(b)(1)(viii)	Rule 18a-6(b)(2)(v)	Rule 18a-6(b)(1)(viii)
Rule 15c3-4 risk management records	Rule 18a-6(b)(1)(ix)	Rule 18a-6(b)(1)(ix)		Rule 18a-6(b)(1)(ix)
Credit risk determinations		Rule 18a-6(b)(1)(x)		
Regulation SBSR information	Rule 18a-6(b)(1)(xi)	Rule 18a-6(b)(1)(xi)	Rule 18a-6(b)(2)(vi)	Rule 18a-6(b)(1)(xi)

	Non-model stand-alone SBSDs	Model stand-alone SBSDs	Bank SBSDs	Stand-alone MSBSPs
Records relating to business conduct standards	Rule 18a-6(b)(1)(xii)	Rule 18a-6(b)(1)(xii)	Rule 18a-6(b)(2)(vii)	Rule 18a-6(b)(1)(xii)
Special entity documents	Rule 18a-6(b)(1)(xiii)	Rule 18a-6(b)(1)(xiii)	Rule 18a-6(b)(2)(viii)	Rule 18a-6(b)(1)(xiii)
Associated person's employment application	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)
Regulatory authority reports	Rule 18a-6(d)(2)(i)	Rule 18a-6(d)(2)(i)	Rule 18a-6(d)(2)(ii)	Rule 18a-6(d)(2)(i)
Compliance, supervisory, and procedures manuals	Rule 18a-6(d)(3)(i)	Rule 18a-6(d)(3)(i)	Rule 18a-6(d)(3)(ii)	Rule 18a-6(d)(3)(i)
<b>Life of the enterprise and of any successor enterprise</b>				
Corporate documents	Rule 18a-6(c)	Rule 18a-6(c)		Rule 18a-6(c)

## 2. Purpose and Use of the Information Collection

The purpose of requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to maintain the records specified in Rule 18a-6 is to help ensure that examiners and other representatives of the Commission and other applicable regulatory authorities have access to the information and documents necessary to determine whether these entities are in compliance with the Commission's anti-fraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. Without Rule 18a-6, it would be extremely difficult, if not impossible, for the Commission to determine whether stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs that chose not to preserve records were in compliance with these rules. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

## 3. Consideration Given to Improved Information Technology

Rule 18a-6 specifically allows stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to use electronic storage media to comply with the recordkeeping requirements under the Exchange Act. If such records are stored electronically, they must meet certain requirements set forth in the rule.<sup>6</sup> Because it sets minimum standards for the electronic storage media employed, Rule 18a-6 does not limit stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to using forms of electronic storage which may become obsolete as new technology is developed. The Commission believes that improvements in telecommunications and data processing technology may reduce any burdens that result from Rule 18a-6.

## 4. Duplication

Requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to maintain the records specified in Rule 18a-6, as adopted, does not duplicate requirements of any other rule. Moreover, the Commission has a substantial interest in ensuring that stand-alone

<sup>6</sup> See paragraph (e)(2) of Rule 18a-6, as adopted.

SBSDs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs preserve the information required in Rule 18a-6, as adopted, in order to ensure compliance with applicable Commission rules. Additionally, the Commission has provided SBSBs with an alternative method of compliance with certain requirements of Rule 18a-6, as adopted. Specifically, the Commission has adopted Rule 18a-10<sup>7</sup> which provides an alternative compliance mechanism under which an SBSB that is also registered as a swap dealer with the CFTC may comply with relevant recordkeeping requirements of the Commodity Exchange Act and the rules promulgated thereunder in lieu of complying with the recordkeeping requirements of Rule 18a-6, as amended, provided that certain requirements are met.

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

Based on feedback from industry participants about the security-based swap market, entities that register as SBSBs or MSBSPs will likely exceed the thresholds defining “small entities.”<sup>8</sup> Thus, it is unlikely that the requirements under Rule 18a-6 will affect small entities.

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

Rule 18a-6 is a record preservation rule. Without Rule 18a-6, it would be extremely difficult, if not impossible, for the Commission to determine whether a stand-alone SBSB, stand-alone MSBSP, bank SBSB, or bank MSBSP that chose not to preserve records was in compliance with the Commission’s antifraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

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

As summarized in section A1 of this supporting statement, certain provisions of Rule 18a-6 require respondents to retain records for more than three years. These extended retention periods are necessary in order to provide regulators with sufficient time to conduct comprehensive inspections and investigations. Due to budget constraints, regulators are expected to examine SBSBs and MSBSPs and office locations only periodically. Further, certain documents required to be retained under Rule 18a-6 do not become obsolete (*e.g.*, organizational documents).

---

<sup>7</sup> 17 CFR 240.18a-10.

<sup>8</sup> Section 601(b) of the Regulatory Flexibility Act (“RFA”) defines the term “*small entity*.” The statute, however, permits agencies to formulate their own definitions. The Commission has adopted definitions for the term “small entity” for the purposes of Commission rulemaking in accordance with the RFA. Those definitions, as relevant to this rulemaking, are set forth in 17 CFR 240.0-10. *See Statement of Management on Internal Accounting Control*, Exchange Act Release No. 18451 (Jan. 28, 1982), 47 FR 5215 (Feb. 4, 1982).

## 8. Consultations Outside the Agency

The Commission requested comment on the collection of information requirements in the proposing release in April 2014.<sup>9</sup> No comments were received regarding the collection of information requirements.

## 9. Payment or Gift

No payment or gift is provided to respondents.

## 10. Confidentiality

Subject to the provisions of the Freedom of Information Act, 5 U.S.C. § 552, and the Commission's rules thereunder (17 CFR 200.80(b)(4)(iii)), the Commission generally does not publish or make available information contained in reports, summaries, analyses, letters, or memoranda arising out of, in anticipation of, or in connection with an examination or inspection of the books and records of any person or any other investigation.

## 11. Sensitive Questions

The information collection does not collect personally identifiable information. The agency has determined that a PIA and SORN are not required in connection with the collection of information.

## 12. Burden of Information Collection

Rule 18a-6 described in the SBS Recordkeeping Release establishes recordkeeping requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.<sup>10</sup> The rule is expected to impose a one-time initial burden and an additional ongoing burden on the industry, although actual recordkeeping requirements are expected to vary depending on the size and complexity of the firm.

**Stand-Alone SBSDs and Stand-Alone MSBSPs:** Rule 18a-6 requires 27 types of records to be preserved by stand-alone SBSDs and stand-alone MSBSPs.<sup>11</sup> Rule 18a-6 does not require the

---

<sup>9</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Capital Rule for Certain Security-Based Swap Dealers; Proposed Rule*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

<sup>10</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rules*, Exchange Act Release No. 87005 (Sept. 19, 2019), 84 FR 68550 (Dec. 16, 2019).

<sup>11</sup> See Rule 18a-6 (paragraph (a)(1), cross-referencing paragraph (a)(1) of Rule 18a-5 (trade blotters); paragraph (a)(1), cross-referencing paragraph (a)(2) of Rule 18a-5 (general ledgers); paragraph (a)(1), cross-referencing paragraph (a)(3) of Rule 18a-5 (ledgers of customer and non-customer accounts); paragraph (a)(1), cross-referencing paragraph (a)(4) of Rule 18a-5 (stock record); paragraph (a)(1), cross-referencing paragraph (a)(5) of Rule 18a-5 (memoranda of proprietary orders); paragraph (a)(1), cross-referencing paragraph (a)(6) of Rule 18a-5 (confirmations); paragraph (a)(1), cross-referencing paragraph (a)(7) of Rule 18a-5 (accountholder information); paragraph (a)(1), cross-referencing paragraph (a)(8) of Rule 18a-5 (options positions); paragraph (a)(1), cross-referencing paragraph (a)(9) of Rule 18a-5 (trial balances and computation of net capital); paragraph (a)(1), cross-referencing paragraph (a)(12) of Rule

firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to provide adequate physical space and computer hardware and software for storage, preserve these records for the requisite time period, and produce them when requested.<sup>12</sup> The Commission estimates that the record preservation requirements applicable to stand-alone SBSBs and stand-alone MSBs impose an initial burden of 364 hours and an ongoing annual burden of 280 hours per firm (including the first year). The Commission estimates that there are 10 respondents (six stand-alone SBSBs and four stand-alone MSBs), resulting in an estimated industry-wide initial burden of 3,640 hours,<sup>13</sup> and an industry-wide ongoing annual burden of 2,800 hours (including the first year).<sup>14</sup> Over a three year period, **the total estimated industry burden is 12,040 hours,<sup>15</sup> or 4,013 hours when annualized.**<sup>16</sup>

**Stand-Alone SBSBs:** Rule 18a-6 requires three types of records to be preserved by stand-alone SBSBs.<sup>17</sup> Because the burden to create these records is accounted for in the PRA estimate for Rule 18a-5, the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that the relevant portions of paragraph (b)(1)(i) of Rule 18a-6 impose an initial burden of 44 hours per firm, and an ongoing annual burden of 30 hours per firm (including the first year). The Commission estimates that there are six stand-alone SBSBs, resulting in an industry-wide initial burden of 264 hours<sup>18</sup> and an industry-wide ongoing annual burden of 180 hours

---

18a-5 (Rule 18a-3 calculations); paragraph (a)(1), cross-referencing paragraph (a)(15) of Rule 18a-5 (unverified transactions); paragraph (a)(1), cross-referencing paragraph (a)(17) of Rule 18a-5 (compliance with business conduct standards); paragraph (b)(1)(ii) (bank records); paragraph (b)(1)(iii) (bills); paragraph (b)(1)(iv) (communications); paragraph (b)(1)(v) (trial balances); paragraph (b)(1)(vi) (account documents); paragraph (b)(1)(vii) (written agreements); paragraph (b)(1)(viii) (information supporting financial reports); paragraph (b)(1)(ix) (Rule 15c3-4 risk management records); paragraph (b)(1)(xi) (Regulation SBSR information); paragraph (b)(1)(xii) (records relating to business conduct standards); paragraph (b)(1)(xiii) (special entity documents); paragraph (c) (corporate documents); paragraph (d)(1) (associated person's employment application); paragraph (d)(2)(i) (regulatory authority reports); and paragraph (d)(3)(i) (compliance, supervisory, and procedures manuals)).

<sup>12</sup> Entities that would register as stand-alone SBSBs and stand-alone MSBs likely make and keep some records today as a matter of routine business practice, but which records such entities make is not available to the Commission. Therefore, the PRA burden estimate for these entities is based on the assumption that they currently keep no records.

<sup>13</sup> 364 hours x 10 stand-alone SBSBs and stand-alone MSBs = 3,640 hours.

<sup>14</sup> 280 hours x 10 stand-alone SBSBs and stand-alone MSBs = 2,800 hours.

<sup>15</sup> (3,640 hours + 2,800 hours) + 2,800 hours + 2,800 hours = 12,040 hours.

<sup>16</sup> 12,040 hours / 3 years = 4,013.33 hours per year.

<sup>17</sup> See paragraph (b)(1)(i) of Rule 18a-6 (cross-referencing paragraph (a)(13) of Rule 18a-5 (compliance with Rule 18a-4 possession or control requirements); paragraph (a)(14) of Rule 18a-5 (Rule 18a-4 reserve account computations); and paragraph (a)(16) of Rule 18a-5 (political contributions)).

<sup>18</sup> 44 hours x 6 stand-alone SBSBs = 264 hours.

(including the first year).<sup>19</sup> Over a three year period, **the total estimated industry burden is 804 hours,<sup>20</sup> or 268 hours when annualized.<sup>21</sup>**

**Model Stand-Alone SBSDs:** Rule 18a–6 requires records relating to credit risk determinations to be preserved by stand-alone SBSDs authorized to use models.<sup>22</sup> Because the burden of actually performing the underlying task and creating the written record is already accounted for in the PRA estimate for Rule 18a–1, the burden is the requirement to preserve these records for at least three years. The Commission estimates that paragraph (b)(1)(x) imposes an initial burden of 18 hours and an ongoing annual burden of 10 hours per stand-alone SBSD authorized to use models (including the first year). The Commission estimates that there are four stand-alone SBSDs authorized to use models, resulting in an industry-wide initial burden of 72 hours<sup>23</sup> and an industry-wide ongoing annual burden of 40 hours (including the first year).<sup>24</sup> Over a three year period, **the total estimated industry burden is 192 hours,<sup>25</sup> or 64 hours when annualized.<sup>26</sup>**

**Bank SBSDs and Bank MSBSPs:** Rule 18a–6 requires 18 types of records to be preserved by bank SBSDs and bank MSBSPs, all of which are limited to the firm’s business as an SBSD or MSBSP.<sup>27</sup> Rule 18a–6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. Therefore, after consideration of the similar burdens imposed by Rule 17a–4, as amended, the Commission estimates that Rule 18a–6 imposes on bank SBSDs and bank MSBSPs an initial burden of 247

---

<sup>19</sup> 30 hours x 6 stand-alone SBSDs = 180 hours.

<sup>20</sup> (264 hours + 180 hours) + 180 hours + 180 hours = 804 hours.

<sup>21</sup> 804 hours / 3 years = 268 hours per year.

<sup>22</sup> See Rule 18a–6 (paragraph (b)(1)(x) (credit risk determinations)).

<sup>23</sup> 18 hours x 4 stand-alone SBSDs authorized to use models = 72 hours.

<sup>24</sup> 10 hours x 4 stand-alone SBSDs authorized to use models = 40 hours.

<sup>25</sup> (72 hours + 40 hours) + 40 hours + 40 hours = 192 hours.

<sup>26</sup> 192 hours / 3 years = 64 hours per year.

<sup>27</sup> See Rule 18a–6 (paragraph (a)(2), cross-referencing paragraph (b)(1) of Rule 18a–5 (trade blotters); paragraph (a)(2), cross-referencing paragraph (b)(2) of Rule 18a–5 (ledgers of security-based swap customers and non-customers); paragraph (a)(2), cross-referencing paragraph (b)(3) of Rule 18a–5 (stock records); paragraph (b)(2)(i), cross-referencing paragraph (b)(4) of Rule 18a–5 (memoranda of brokerage orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(5) of Rule 18a–5 (memoranda of proprietary orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(6) of Rule 18a–5 (confirmations); paragraph (b)(2)(i), cross-referencing paragraph (b)(7) of Rule 18a–5 (account holder information); paragraph (b)(2)(i), cross-referencing paragraph (b)(11) of Rule 18a–5 (unverified transactions); paragraph (b)(2)(i), cross-referencing paragraph (b)(13) of Rule 18a–5 (compliance with business conduct requirements); paragraph (b)(2)(ii) (communications); paragraph (b)(2)(iii) (account documents); paragraph (b)(2)(iv) (written agreements); paragraph (b)(2)(vi) (Regulation SBSR information); paragraph (b)(2)(vii) (records relating to business conduct standards); paragraph (b)(2)(viii) (special entity documents); paragraph (d)(1) (associated person’s employment application); paragraph (d)(2)(ii) (regulatory authority reports); paragraph (d)(3)(ii) (compliance, supervisory, and procedures manuals)).

hours per firm and an ongoing burden of 190 hours per firm (including the first year). The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an estimated industry-wide initial burden of 6,175 hours<sup>28</sup> and an industry-wide ongoing annual burden of 4,750 hours (including the first year).<sup>29</sup> Over a three year period, **the total estimated industry burden is 20,425 hours,<sup>30</sup> or 6,808 hours when annualized.<sup>31</sup>**

**Bank SBSDs:** Rule 18a–6 requires four types of records to be preserved by bank SBSDs, all of which are limited to the firm’s business as an SBSD.<sup>32</sup> Because the burden to perform the underlying task or create these records is accounted for in the PRA estimates for Rule 18a–4 and Rule 18a–5, the burdens imposed by these new requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that paragraphs (b)(2)(i) and (b)(2)(v) of Rule 18a–6 impose an initial burden of 57 hours per firm and an ongoing annual burden of 40 hours per firm. The Commission estimates that there are 25 bank SBSDs, resulting in an industry-wide initial burden of 1,425 hours<sup>33</sup> and an industry-wide ongoing annual burden of 1,000 hours.<sup>34</sup> Over a three year period, **the total estimated industry burden is 4,425 hours,<sup>35</sup> or 1,475 hours when annualized.<sup>36</sup>**

**Third-Party Custodians:** Paragraph (f) of Rule 18a–6 requires third-party custodians for non-broker-dealer SBSDs and non-broker-dealer MSBSPs to file with the Commission a written undertaking and surrender the SBSD or MSBSP’s records upon the Commission’s request.<sup>37</sup> The obligation to provide documents upon the Commission’s request does not impose a new burden, since this requirement merely changes the respondent’s identity rather than adding to the quantity of burdens. Thus, the burden is the requirement is to prepare and file a written undertaking. The Commission estimates that 50% of the 35 non-broker-dealer SBSDs and non-broker-dealer MSBSPs would retain a third-party custodian, resulting in 19 written undertakings. The Commission estimates paragraph (f) of Rule 18a–6 imposes an ongoing annual burden of

<sup>28</sup> 247 hours x 25 bank SBSDs = 6,175 hours.

<sup>29</sup> 190 hours x 25 bank SBSDs = 4,750 hours.

<sup>30</sup> (6,175 hours + 4,750 hours) + 4,750 hours + 4,750 hours = 20,425 hours.

<sup>31</sup> 20,425 hours / 3 years = 6,808.33 hours per year.

<sup>32</sup> See Rule 18a–6 (paragraph (b)(2)(i), cross-referencing paragraph (b)(9) (compliance with Rule 18a–4 possession or control requirements) of Rule 18a–5; paragraph (b)(2)(i), cross-referencing paragraph (b)(10) (Rule 18a–4 reserve account computations) of Rule 18a–5; paragraph (b)(2)(i), cross-referencing paragraph (b)(12) (political contributions) of Rule 18a–5; and paragraph (b)(2)(v) (Rule 18a–4 reserve account computations)).

<sup>33</sup> 57 hours x 25 bank SBSDs = 1,425 hours.

<sup>34</sup> 40 hours x 25 bank SBSDs = 1,000 hours.

<sup>35</sup> (1,425 hours + 1,000 hours) + 1,000 hours + 1,000 hours = 4,425 hours.

<sup>36</sup> 4,425 hours / 3 years = 1,475 hours per year.

<sup>37</sup> See paragraph (f) of Rule 18a–6, as adopted.



two hours per written undertaking, **resulting in an industry-wide ongoing burden of 35 hours per year.**<sup>38</sup>

**Total Industry Hour Burden:** Thus, the total initial industry hour burden attributable to Rule 18a-6 is estimated to be 11,576 hours in the first year<sup>39</sup> and the total industry ongoing hour burden attributable to Rule 18a-6, as adopted, is estimated to be 8,770 hours per year.<sup>40</sup> **The total annualized burden is estimated to be 12,629 hours.**<sup>41</sup> These burdens are recordkeeping burdens.

Summary of Hourly Burdens										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected
					[C + 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSDs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	10	1	364.00	121.33	280.00	401.33	401.33	4,013.33	0.00
Stand-alone SBSDs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	6	1	44.00	14.67	30.00	44.67	44.67	268	0.00
Model stand-alone SBSDs: Paragraph (b)(1)(x)	Recordkeeping	4	1	18.00	6.00	10.00	16.00	16.00	64.00	0.00
Bank SBSDs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1), (d)(2)(ii), (d)(3)(ii)	Recordkeeping	25	1	247.00	82.33	190.00	272.33	272.33	6,808.33	0.00
Bank SBSDs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	25	1	57.00	19.00	40.00	59.00	59.00	1,475.00	0.00
Third-Party Custodians	Recordkeeping	17	1	0.00	0.00	2.00	2.00	2.00	35.00 <sup>42</sup>	0.00
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									12,628.67	

### 13. Costs to Respondents

The Commission believes that any initial dollar cost associated with Rule 18a-6 is already accounted for in the PRA estimate for Rule 18a-5, which includes the cost of

<sup>38</sup> 2 hours × 17.5 written undertakings = 35 hours per year.

<sup>39</sup> 3,640 hours + 264 hours + 72 hours + 6,175 hours + 1,425 hours + 0 hours = 11,576 hours.

<sup>40</sup> 2,800 hours + 180 hours + 40 hours + 4,750 hours + 1,000 hours + 35 hours = 8,770 hours.

<sup>41</sup> 4013.33 hours + 268 hours + 64 hours + 6,808.33 hours + 1,475 hours + 35 hours = 12,628.677 hours.

<sup>42</sup> This number is 36 hours in ROCIS because the calculation for the number of estimates respondents (50 percent of non-broker-dealer SBSDs and MBSDs) resulted in a fractional number and ROCIS will only accept a whole number of respondents.

recordkeeping system software. The Commission does not expect that Rule 18a-6 imposes any additional initial costs. Those requirements that are expected to impose an ongoing annual cost to the industry are discussed below.

**Stand-Alone SBSDs and Stand-Alone MSBSPs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$5,720 per stand-alone SBSD or stand-alone MSBSP. The Commission estimates that there are 10 respondents (nine stand-alone SBSDs and four stand-alone MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$57,200 per year.**<sup>43</sup>

**Stand-Alone SBSDs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$360 per stand-alone SBSD. The Commission estimates that there are six respondents, resulting in an **estimated industry-wide ongoing annual cost of \$2,160 per year.**<sup>44</sup>

**Model Stand-Alone SBSDs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$120 per stand-alone SBSD authorized to use models. The Commission estimates that there are four respondents, resulting in an **estimated industry-wide ongoing annual cost of \$480 per year.**<sup>45</sup>

**Bank SBSDs and Bank MSBSPs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$4,520 per bank SBSD or bank MSBSP. The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$113,000 per year.**<sup>46</sup>

**Bank SBSDs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$480 per bank SBSD. The Commission estimates that there are 25 respondents, resulting in an **estimated industry-wide ongoing annual cost of \$12,000 per year.**<sup>47</sup>

---

<sup>43</sup> \$5,720 per firm x 13 stand-alone SBSDs and stand-alone MSBSPs = \$74,360 per year.

<sup>44</sup> \$360 per firm x 6 stand-alone SBSDs = \$2,160 per year.

<sup>45</sup> \$120 per firm x 4 stand-alone SBSDs authorized to use models = \$480 per year.

<sup>46</sup> \$4,520 per firm x 25 bank SBSDs and bank MSBSPs = \$113,000 per year.

<sup>47</sup> \$480 per firm x 25 bank SBSDs = \$12,000 per year.

**Total Industry Costs Burden:** Therefore, the total annual recordkeeping cost of Rule 18a-6 is **estimated to be \$184,840 per year.**<sup>48</sup>

Summary of Dollar Costs										
Name of Information Collection	Type of Burden	A. Number of Entities Impacted	B. Annual Responses per Entity	C. Initial Cost per Entity per Response	D. Initial Cost Annualized per Entity per Response	E. Ongoing Cost per Entity per Response	F. Annual Cost Per Entity per Response	G. Total Annual Cost Per Entity	Total Industry Cost	Small Business Entities Affected
					[ C ÷ 3 years]		[ D + E]	[ F * B]	[ G * A]	[ A * 0 %]
Stand-alone SBSDs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	10	1	\$0.00	\$0.00	\$5,720.00	\$5,720.00	\$5,720.00	\$57,200.00	0.00
Stand-alone SBSDs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	6	1	\$0.00	\$0.00	\$360.00	\$360.00	\$360.00	\$2,160.00	0.00
Model stand-alone SBSDs: Paragraph (b)(1)(x)	Recordkeeping	4	1	\$0.00	\$0.00	\$120.00	\$120.00	\$120.00	\$480.00	0.00
Bank SBSDs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1), (d)(2)(ii), (d)(3)(ii)	Recordkeeping	25	1	\$0.00	\$0.00	\$4,520.00	\$4,520.00	\$4,520.00	\$113,000.00	0.00
Bank SBSDs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	25	1	\$0.00	\$0.00	\$480.00	\$480.00	\$480.00	\$12,000.00	0.00
TOTAL HOURLY COST FOR ALL RESPONDENTS									<b>\$184,840.00</b>	

## 14. Cost to Federal Government

The federal government does not incur a cost for this collection of information since it relates to a recordkeeping burden for the respondents.

## 15. Changes in Burden

The annual burdens decreased because the burden estimate has been revised to reflect a reduction in the number of respondents. The Commission has reduced the number of estimated respondents from the number estimated at the proposing stage because of certain amendments to Rule 18a-10. Rule 18a-10 sets forth an alternative compliance mechanism for security-based swap dealers that are registered as swap dealers with the Commodity Futures Trading Commission (“CFTC”). The Commission amended Rule 18a-10 to permit stand-alone SBSDs that are registered as swap dealers with the CFTC to comply with the recordkeeping and reporting requirements of the CFTC in lieu of the requirements in Rule 18a-6.

<sup>48</sup> \$57,200 + \$2,160 + \$480 + \$113,000 + \$12,000 = \$184,840 per year.

For the purposes of this Paperwork Reduction Act analysis, the Commission estimates that three security-based swap dealers will avail themselves of the alternative compliance mechanism in Rule 18a-10.

Additionally, the Commission had previously proposed liquidity stress testing requirements for SBSDs that are or would be authorized to use internal models to compute net capital.<sup>49</sup> In connection with the proposed liquidity stress testing requirements, the Commission proposed that SBSDs would be required to make and keep current certain records relating to such liquidity stress tests.<sup>50</sup> The Commission deferred consideration of the proposed liquidity stress test requirements,<sup>51</sup> and accordingly deferred consideration of the related recordkeeping requirements.

The changes in the estimated burdens and costs are summarized in the table below:

Summary of Changes in Burden Hours				
Name of Information Collection Previously Reviewed	Annual Industry Burden	Annual Industry Burden Previously Reviewed	Change in Burden	Reason for Change in Burden
Stand-alone SBSDs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	4,013.33	5,217.33	(1,235)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Stand-alone SBSDs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	268	402	(134)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Model stand-alone SBSDs: Paragraph (b)(1)(x) (previously referred to as “ANC stand-alone SBSDs: Paragraphs (b)(1)(i) and (b)(1)(x)”) )	64	182	(118)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10, and change to recordkeeping requirements as a result of proposed but not adopted liquidity stress testing requirements.

<sup>49</sup> See Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers, Exchange Act Release No. 68071 (Oct. 18, 2012), 77 FR 70241, 70217-57 (Nov. 23, 2012).

<sup>50</sup> See Recordkeeping and Reporting Proposing Release; Capital Rule for Certain Security-Based Swap Dealers, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25194 (May 2, 2014)

<sup>51</sup> See Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital and Segregation Requirements for Broker-Dealers, Exchange Act Release No. 86175 (Jun. 21, 2019), 84 FR 43872 (Aug. 22, 2019).

Third-Party Custodians	35	38	(3)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
------------------------	----	----	-----	---

Summary of Changes in Costs				
Name of Information Collection Previously Reviewed	Annual Industry Cost	Annual Industry Cost Previously Reviewed	Change in Cost	Reason for Change in Cost
Stand-alone SBSDs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	\$57,200	\$74,360	(\$17,160)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Stand-alone SBSDs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	\$2,160	\$3,240	(\$1,080)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Model stand-alone SBSDs: Paragraph (b)(1)(x) (previously referred to as "ANC stand-alone SBSDs: Paragraphs (b)(1)(i) and (b)(1)(x)")	\$480	\$1,440	(\$960)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10, and change to recordkeeping requirements as a result of proposed but not adopted liquidity stress testing requirements.

## 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.