

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for Rule 18a-7**  
**3235-0749**

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”), which provides that the Commission shall adopt rules governing recordkeeping and reporting for security-based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”),<sup>2</sup> and section 15F(f)(1)(A) provides that SBSBDs and MSBSPs shall make such reports as are required by the Commission, by rule or regulation, regarding the transactions and positions and financial condition of the SBSBD or MSBSP.<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 SBSBDs and MSBSPs (the “SBS Recordkeeping Release”).<sup>4</sup> More specifically, new Exchange Act Rule 18a-7 establishes reporting requirements applicable to stand-alone SBSBDs, stand-alone MSBSPs, bank SBSBDs, and bank MSBSPs.<sup>5</sup> New Rule 18a-7 is modeled on Exchange Act Rule 17a-5, which applies to broker-dealers, but Rule 18a-7 does not include a parallel requirement for every requirement in Rule 17a-5 because some of the requirements in Rule 17a-5 relate to activities that are not expected or permitted of SBSBDs and MSBSPs.

Under Rule 18a-7, as adopted, non-bank SBSBDs and MSBSPs are required to periodically file the FOCUS Report Part II, while bank SBSBDs and bank MSBSPs are required to file the FOCUS Report Part IIC.<sup>6</sup> Moreover, under Rule 18a-7 stand-alone SBSBDs and stand-alone

---

<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 15 U.S.C. 78o-10.

<sup>3</sup> See 15 U.S.C. 78o-10(f)(1)(A).

<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 *id.*

<sup>6</sup> See paragraphs (a)(1)-(2) of Rule 18a-7, as adopted. Nonbank SBSBDs and nonbank MSBSPs are required to file the FOCUS Report Part II on a monthly basis, whereas bank SBSBDs and bank MSBSPs would be required to file FOCUS Report Part IIC on a quarterly basis.

MSBSPs are required to make available to customers an audited statement of financial condition with appropriate notes on their public website.<sup>7</sup>

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

The purpose of requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to report the information specified in Rule 18a-7 is to enhance regulators' ability to protect investors. These records and the information contained therein are used by examiners and other representatives of the Commission to determine whether stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs are in compliance with the Commission's anti-fraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. If stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs were not required to report these records, examiners would be unable to conduct effective and efficient examinations to determine whether stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs were complying with relevant laws, rules, and regulations.

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

The data required in the FOCUS Report part II and Part IIC are tailored to the complexity of the firm's business. The burden is therefore commensurate with the type of business in which the firm engages. The Commission expects that most, if not all, required reports will be filed electronically.

## **4. Duplication**

There is no duplication anticipated with respect to stand-alone SBSDs and stand-alone MSBSPs, because they currently are not required to report the information in the FOCUS Part II or Part IIC. Additionally, the Commission has provided SBSDs with an alternative method of compliance with certain requirements of Rule 18a-6, as adopted, which may result in lower costs and hour burdens, especially with respect to initial compliance burdens, than would result under the standard compliance requirements. Specifically, the Commission has adopted Rule 18a-10<sup>8</sup> which provides an alternative compliance mechanism under which an SBSD that is also registered with the CFTC as a swap dealer 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-7, as amended, provided that certain requirements are met.

## **5. Effect on Small Entities**

Based on feedback from industry participants about the security-based swap market, entities that would qualify as SBSDs or MSBSPs will likely exceed the thresholds defining

---

<sup>7</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>8</sup> 17 CFR 240.18a-10.

“small entities.”<sup>9</sup> Thus, it is unlikely that the requirements under proposed new Rule 18a-7 will have a significant economic impact on a small entity.

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

The required reports are used by Commission to monitor the financial and operational condition of stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs. If the required reports were not made, the ability of the Commission to monitor the financial and operational condition of these firms would be impaired potentially affecting regulators’ capability to protect customers. Further, if the required collections were conducted less frequently, the information in the reports would become outdated.

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

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

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

The Commission requested comment on the collection of information requirements in the proposing release in April 2014.<sup>10</sup> The Commission received no comments regarding the collection of information requirements.

## **9. Payment or Gift**

No payment or gift is provided to respondents.

## **10. Confidentiality**

Annual reports filed by nonbank SBSBs and nonbank MSBSPs under paragraph (c) of proposed Rule 18a-7 are not confidential, except that if the Statement of Financial Condition is bound separately from the balance of the annual reports, and each page of the balance of the annual reports is stamped “confidential,” then the balance of the annual reports shall be deemed confidential to the extent permitted by law.<sup>11</sup> With respect to the other information collected under proposed Rule 18a-7, the covered firm can request the confidential treatment of the

---

<sup>9</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).

<sup>10</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>11</sup> *See* paragraph (d)(1) of Rule 18a-7.

information.<sup>12</sup> If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.<sup>13</sup>

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 collects personally identifiable information that may include a name, job title, and work address. However, this information collection does not constitute a system of records for purposes of the Privacy Act, because information is not retrieved by a personal identifier. The EDGAR PIA will cover this information collection.

## 12. Burden of Information Collection

Rule 18a-7, as adopted, establishes reporting requirements applicable to stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs.<sup>14</sup> The rule will impose a one-time initial burden and an ongoing burden on the industry, although actual reporting requirements are expected to vary depending on the size and complexity of the firm.

**Reports for Model Stand-Alone SBSBs:** Paragraph (a)(3) of Rule 18a-7, as adopted, requires stand-alone SBSBs that are authorized to use models to compute capital to periodically file certain additional reports relating to their use of internal models to calculate net capital.<sup>15</sup> The Commission estimates that paragraph (a)(3) of proposed Rule 18a-7 would impose no initial burden and an annual burden of 120 hours per ANC stand-alone SBSB (including the first year).<sup>16</sup> The Commission estimates that there are four model stand-alone SBSBs, resulting in **an industry-wide estimated ongoing burden of 480 hours per year.**<sup>17</sup>

**Customer Statements:** Paragraph (b) of Rule 18a-7, as adopted, would require stand-alone SBSBs and stand-alone MSBSPs to disclose certain financial statements on their Internet

---

<sup>12</sup> See 17 CFR 200.83. Information regarding requests for confidential treatment of information submitted to the Commission is available at <http://www.sec.gov/foia/howfo2.htm#privacy>.

<sup>13</sup> See, e.g., 15 U.S.C. 78x (governing the public availability of information obtained by the Commission); 5 U.S.C. 552 *et seq.*

<sup>14</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 Rules*, Exchange Act Release No. 71958 (Apr. 17, 2014), 79 FR 25193 (May 2, 2014).

<sup>15</sup> See paragraph (a)(3) of Rule 18a-7, as adopted.

<sup>16</sup> (4 hours/monthly report x 12 months/year + 8 hours/quarterly report x 4 quarters/year + 40 hours/annual report) = 120 hours per year.

<sup>17</sup> 120 hours per year x 4 ANC stand-alone SBSBs = 480 hours per year.

websites.<sup>18</sup> The Commission estimates that paragraph (b) of Rule 18a–7, as adopted, imposes an initial burden of 10 hours per firm and an annual burden of one hour per firm (including the first year). The Commission estimates that there are 10 respondents (six stand-alone SBSBs and four stand-alone MSBSPs), resulting in an industry-wide initial burden of 100 hours<sup>19</sup> and an industry-wide ongoing burden of 10 hours per year (including the first year).<sup>20</sup> **Over a three year period, the total estimated industry burden would be 130 hours,<sup>21</sup> or about 43 hours per year when annualized.**<sup>22</sup>

**Annual Reports for Stand-Alone MSBSPs:** Paragraph (c) of Rule 18a–7, as adopted, requires stand-alone SBSBs and stand-alone MSBSPs to file with the Commission an annual report consisting of certain financial reports.<sup>23</sup> In addition, paragraph (d) of Rule 18a–7, as adopted, requires the filing firm to attach Part III of Form X–17A–5 to the annual report.<sup>24</sup> Part III must include an oath or affirmation, which implicitly requires a senior officer or a trusted delegate to review the annual report. The Commission estimates that paragraphs (c) and (d) of proposed Rule 18a–7 would impose on stand-alone MSBSPs an annual burden of 10 hours (including the first year). The Commission estimates that there are four stand-alone MSBSPs, resulting in **an industry-wide estimated ongoing burden of 40 hours per year (including the first year).**<sup>25</sup>

**Annual Reports for Stand-Alone SBSBs:** Stand-alone SBSBs not exempt from Rule 18a-4 are required to include a compliance report with their annual reports.<sup>26</sup> The Commission estimates that each compliance report takes approximately 60 hours to prepare.<sup>27</sup> Therefore, paragraphs (c) and (d) of Rule 18a–7 would impose an estimated annual burden of 70 hours per stand-alone SBSB (including the first year). The Commission estimates that there are no stand-alone SBSBs that will file a compliance report, resulting **in an industry-wide estimated ongoing burden of 0 hours per year (including the first year).**<sup>28</sup>

---

<sup>18</sup> See paragraph (b) of proposed Rule 18a–7.

<sup>19</sup> 10 hours × 10 stand-alone SBSBs and stand-alone MSBSPs = 100 hours.

<sup>20</sup> 1 hour per year × 10 stand-alone SBSBs and stand-alone MSBSPs = 10 hours per year.

<sup>21</sup> (100 hours + 10 hours) + 10 hours + 10 hours = 130 hours.

<sup>22</sup> 130 hours / 3 years = 43.33 hours per year.

<sup>23</sup> See paragraph (c) of Rule 18a–7, as adopted.

<sup>24</sup> See paragraph (d) of Rule 18a–7, as adopted.

<sup>25</sup> 10 hours per year × 4 stand-alone MSBSPs = 40 hours per year.

<sup>26</sup> See paragraph (c)(1)(i)(B) of Rule 18a–7.

<sup>27</sup> See *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a-5* (May 26, 2017), available at <https://www.reginfo.gov/public/do/DownloadDocument?objectID=74209001>.

<sup>28</sup> 70 hours per year × 0 stand-alone SBSBs = 210 hours per year. These internal hours likely would be performed by a senior accountant

Stand-alone SBSBs exempt from Rule 18a-4 are required to include an exemption report with their annual reports.<sup>29</sup> The Commission estimates that each exemption report takes approximately 7 hours to prepare,<sup>30</sup> The Commission further estimates that paragraphs (c) and (d) of Rule 18a-7 will impose an annual burden of 17 hours per stand-alone SBSB (including the first year) that files an exemption report. The Commission estimates that there are six stand-alone SBSBs that will file an exemption report, resulting in **an industry-wide estimated ongoing burden of 102 hours (including the first year).**<sup>31</sup>

**Statement Regarding Independent Public Accountant:** Paragraph (e) of Rule 18a-7 would require stand-alone SBSBs and stand-alone MSBSPs to file a statement regarding the independent public accountant engaged to audit the firm's annual reports.<sup>32</sup> The Commission estimates that paragraph (e) of Rule 18a-7, as adopted, would impose an initial burden of 10 hours per firm and an annual burden of two hours per firm (including the first year). The Commission estimates that there are 10 respondents (six stand-alone SBSBs and four stand-alone MSBSPs), resulting in an estimated industry-wide initial burden of 100 hours<sup>33</sup> and an estimated industry-wide ongoing burden of 20 hours per year (including the first year).<sup>34</sup> **Over a three year period, the total estimated industry burden would be 160 hours,<sup>35</sup> or about 53 hours per year when annualized.**<sup>36</sup>

**Notice of Change in Fiscal Year:** Paragraph (j) of Rule 18a-7 requires stand-alone SBSBs and stand-alone MSBSPs to notify the Commission of a change in fiscal year.<sup>37</sup> The Commission estimates that each financial notice takes approximately one hour to prepare and file with the Commission.<sup>38</sup> The Commission estimates that paragraph (j) of proposed Rule 18a-7 would impose a burden of one hour per firm planning to change its fiscal year. The Commission estimates that each year, one firm will change its fiscal year, such that **the estimated burden on the industry would be one hour per year (including the first year).**<sup>39</sup>

---

<sup>29</sup> See paragraph (c)(1)(i)(B) of Rule 18a-7

<sup>30</sup> See *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a-5* (May 26, 2017), available at <https://www.reginfo.gov/public/do/DownloadDocument?objectID=74209001>

<sup>31</sup> 17 hours/year x 6 stand-alone SBSBs = 102 hours/year. These internal hours likely would be performed by a senior accountant.

<sup>32</sup> See paragraph (e) of Rule 18a-7, as adopted.

<sup>33</sup> 10 hours x 10 stand-alone SBSBs and stand-alone MSBSPs = 100 hours.

<sup>34</sup> 2 hours per year x 10 stand-alone SBSBs and stand-alone MSBSPs = 20 hours per year.

<sup>35</sup> (100 hours + 20 hours) + 20 hours + 20 hours = 160 hours.

<sup>36</sup> 160 hours / 3 years = 53.33 hours per year.

<sup>37</sup> See paragraph (j) of Rule 18a-7, as adopted.

<sup>38</sup> See Commission, *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a-11* (June 29, 2012), available at <http://www.reginfo.gov/public/do/DownloadDocument?documentID=332313&version=1>.

<sup>39</sup> 1 hour per year x 1 stand-alone SBSB or stand-alone MSBSP = 1 hour per year.

**FOCUS Report Part II for Stand-Alone SBSBs:** Rule 18a–7 requires stand-alone SBSBs to file FOCUS Report Part II, as amended, on a monthly basis.<sup>40</sup> FOCUS Report Part II, as amended, includes 11 sections and four schedules applicable to stand-alone SBSBs.<sup>41</sup> Stand-alone SBSBs dually registered as FCMs would be required to complete five additional sections, all of which the CFTC already requires or has proposed to require FCMs to file as part of Form 1–FR–FCM.<sup>42</sup> In consideration of these additional requirements, the Commission estimates that the requirement for stand-alone SBSBs to file FOCUS Report Part II, as amended, every month would impose an initial burden of 160 hours per firm and an ongoing annual burden of 192 hours per firm (including the first year). The Commission estimates that there are six stand-alone SBSBs, resulting in an estimated industry-wide initial burden of 960 hours<sup>43</sup> and an estimated industry-wide ongoing burden of 1,152 hours per year (including the first year).<sup>44</sup> **Over a three year period, the total estimated industry burden would be 4,416 hours,<sup>45</sup> or 1,472 hours per year when annualized.**<sup>46</sup>

**FOCUS Report Part II for Stand-Alone MSBSPs:** Rule 18a–7 requires stand-alone MSBSPs to file FOCUS Report Part II, as amended, on a monthly basis.<sup>47</sup> FOCUS Report Part

---

<sup>40</sup> See paragraph (a)(1) of Rule 18a–7, as adopted.

<sup>41</sup> Stand-alone SBSBs are required to complete the following sections and schedules: (1) Statement of Financial Condition; (2) either Computation of Net Capital (Filer Authorized to Use Models) or Computation of Net Capital (Filer Not Authorized to Use Models); (3) Computation of Minimum Regulatory Capital Requirements (Non-Broker-Dealer); (4) Statement of Income (Loss); (5) Capital Withdrawals; (6) Capital Withdrawals—Recap; (7) Financial and Operational Data; (8) Financial and Operational Data—Operational Deductions from Capital—Note A; (9) Financial and Operational Data—Potential Operational Charges Not Deducted from Capital—Note B; (10) Computation for Determination of the Amount to be Maintained in the Special Account for the Exclusive Benefit of Security-Based Swap Customers—Rule 18a–4, Appendix A; (11) Possession or Control for Security-Based Swap Customers; (12) Schedule 1—Aggregate Securities, Commodities, and Swaps Positions; (13) Schedule 2—Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (14) Schedule 3—Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (15) Schedule 4—Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

<sup>42</sup> Stand-alone SBSBs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these five sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC’s Form 1–FR–FCM and the Commission’s FOCUS Report Part II, as amended.

<sup>43</sup>  $160 \text{ hours} \times 6 \text{ stand-alone SBSBs} = 960 \text{ hours.}$

<sup>44</sup>  $192 \text{ hours per year} \times 6 \text{ stand-alone SBSBs} = 1,152 \text{ hours per year.}$

<sup>45</sup>  $(960 \text{ hours} + 1,152 \text{ hours}) + 1,152 \text{ hours} + 1,152 \text{ hours} = 4,416 \text{ hours.}$

<sup>46</sup>  $4,416 \text{ hours} / 3 \text{ years} = 1,472 \text{ hours per year.}$

<sup>47</sup> See paragraph (a)(1) of Rule 18a–7, as adopted.

II, as amended, includes three sections and four schedules applicable to stand-alone MSBSPs.<sup>48</sup> Stand-alone MSBSPs dually registered as FCMs would be required to complete five additional sections, all of which the CFTC already requires or has proposed to require FCMs to file as part of Form 1–FR–FCM.<sup>49</sup> In consideration of these additional requirements, the Commission estimates that the requirement for stand-alone MSBSPs to file FOCUS Report Part II every month would impose an initial burden of 40 hours per firm and an ongoing annual burden of 48 hours per firm. The Commission estimates that there are four stand-alone MSBSPs, resulting in an estimated industry-wide initial burden of 160 hours<sup>50</sup> and an estimated industry-wide ongoing burden of 192 hours per year.<sup>51</sup> **Over a three year period, the total estimated industry burden would be 736 hours,<sup>52</sup> or 245 hours per year when annualized.<sup>53</sup>**

**FOCUS Report Part IIC for Bank SBSBs:** Rule 18a–7 requires bank SBSBs to file new FOCUS Report Part IIC on a quarterly basis.<sup>54</sup> New FOCUS Report Part IIC includes five sections and one schedule applicable to bank SBSBs.<sup>55</sup> The Commission does not expect proposed new FOCUS Report Part IIC to impose a significant burden on bank SBSBs, because two of the five sections require the firm to file calculations already computed in accordance with Rule 18a-3, and the other three sections either mirror or are scaled down versions of schedules to FFIEC Form 031, which banks are already required to file with their prudential regulator

---

<sup>48</sup> Stand-alone MSBSPs are required to complete the following sections and schedules: (1) Statement of Financial Condition; (2) Computation of Tangible Net Worth; (3) Statement of Income (Loss); (4) Schedule 1—Aggregate Securities, Commodities, and Swaps Positions; (5) Schedule 2—Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (6) Schedule 3—Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (7) Schedule 4—Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

<sup>49</sup> Stand-alone MSBSPs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC’s Form 1–FR–FCM and the Commission’s FOCUS Report Part II, as amended.

<sup>50</sup> 40 hours × 4 stand-alone MSBSPs = 160 hours.

<sup>51</sup> 48 hours per year × 4 stand-alone MSBSPs = 192 hours per year.

<sup>52</sup> (160 hours + 192 hours) + 192 hours + 192 hours = 736 hours.

<sup>53</sup> 736 hours / 3 years = 245.33 hours per year.

<sup>54</sup> See paragraph (a)(2) of Rule 18a–7, as adopted.

<sup>55</sup> Bank SBSBs are required to complete the following sections and schedules: (1) Balance Sheet (Information as Reported on FFIEC Form 031—Schedule RC); (2) Regulatory Capital (Information as Reported on FFIEC Form 031—Schedule RC–R); (3) Income Statement (Information as Reported on FFIEC Form 031—Schedule RI); (4) Computation for Determination of Security-Based Swap Customer Reserve Requirements; (5) Possession or Control for Security-Based Swap Customers; and (6) Schedule 1 – Aggregate Security-Based Swap and Swap Positions.



(although they would need to transpose this information from FFIEC Form 031 to the FOCUS Report Part IIC). Although bank SBSBs dually registered as FCMs would be required to complete 5 additional sections, the CFTC already requires or has proposed to require FCMs to file these schedules on Form 1–FR–FCM.<sup>56</sup> In consideration of these additional requirements, the Commission estimates that the requirement for bank SBSBs to file FOCUS Report Part IIC quarterly would impose an initial burden of 36 hours per firm and an ongoing annual burden of 16 hours per firm per year. The Commission estimates that there are 25 bank SBSBs, resulting in an estimated industry-wide initial burden of 900 hours<sup>57</sup> and an estimated industry-wide ongoing burden of 400 hours per year.<sup>58</sup> **Over a three year period, the total estimated industry burden would be 2,100 hours,<sup>59</sup> or 700 hours per year when annualized.<sup>60</sup>**

**FOCUS Report Part IIC for Bank MSBSPs:** Rule 18a–7 requires bank MSBSPs to file new FOCUS Report Part IIC on a quarterly basis.<sup>61</sup> New FOCUS Report Part IIC includes three sections and one schedule applicable to bank MSBSPs.<sup>62</sup> Bank MSBSPs dually registered as FCMs are required to complete five additional sections, all of which the CFTC already requires or has proposed to require FCMs to file as part of Form 1–FR–FCM.<sup>63</sup> However, the

---

<sup>56</sup> Bank SBSBs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition, the Commission does not anticipate that FCMs will be required to file both the CFTC’s Form 1–FR–FCM and the Commission’s new FOCUS Report Part IIC.

<sup>57</sup>  $36 \text{ hours} \times 25 \text{ bank SBSBs} = 900 \text{ hours.}$

<sup>58</sup>  $16 \text{ hours per year} \times 25 \text{ bank SBSBs} = 400 \text{ hours per year.}$

<sup>59</sup>  $(900 \text{ hours} + 400 \text{ hours}) + 400 \text{ hours} + 400 \text{ hours} = 2,100 \text{ hours.}$

<sup>60</sup>  $2,100 \text{ hours} / 3 \text{ years} = 700 \text{ hours per year.}$

<sup>61</sup> See paragraph (a)(2) of Rule 18a–7, as adopted.

<sup>62</sup> Bank MSBSPs would be required to complete the following sections and schedules: (1) Balance Sheet (Information as Reported on FFIEC Form 031—Schedule RC); (2) Regulatory Capital (Information as Reported on FFIEC Form 031—Schedule RC–R); (3) Income Statement (Information as Reported on FFIEC Form 031—Schedule RI); and (4) Schedule 1 – Aggregate Security-Based Swap and Swap Positions.

<sup>63</sup> Bank MSBSPs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition, the Commission

Commission does not expect any banks to register with the Commission as MSBSPs and therefore does not anticipate these requirements to impose an additional burden.<sup>64</sup>

**Total Industry Hour Burden:** Thus, the Commission estimates that the total initial industry hour burden attributable to proposed Rule 18a-7 is 2,220 hours<sup>65</sup> and the total annual industry hour burden attributable to proposed Rule 18a-7 is hours per year (including the first year).<sup>66</sup> Over a three year period, **the total estimated industry burden would be 9,411 hours,<sup>67</sup> or about 3,137 hours per year when annualized.**<sup>68</sup> These burdens are reporting 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 %]
Reports for Model Stand-Alone SBSBs	Reporting	4	1	0.00	0.00	120.00	120.00	120.00	480.00	0
Customer Statements	Reporting	10	1	10.00	3.33	1.00	4.33	4.33	43.33	0
Annual Reports for Stand-Alone MSBSPs	Reporting	4	1	0.00	0.00	10.00	10.00	10.00	40.00	0
Annual Reports for Stand-Along SBSBs Exempt From Rule 18a-4	Reporting	6	1	0	0	17.00	17.00	17.00	102.00	0
Statement Regarding Independent Public Accountant	Reporting	10	1	10.00	3.33	2.00	5.33	5.33	53.33	0
Notice of Change in Fiscal Year	Reporting	1	1	0.00	0.00	1.00	1.00	1.00	1.00	0
FOCUS Report Part II for Stand-Alone SBSBs	Reporting	6	12	13.33	4.44	16.00	20.44	245.33	1,472.00	0
FOCUS Report Part II for Stand-Alone MSBSPs	Reporting	4	12	40	1.11	48	5.11	61.33	245.33	0
FOCUS Report Part IIC for Bank SBSBs	Reporting	25	4	9.00	3.00	4.00	7.00	28.00	700.00	0

does not anticipate that FCMs will be required to file both the CFTC's Form 1-FR-FCM and the Commission's new FOCUS Report Part IIC.

<sup>64</sup> The Commission estimates that the requirement for bank MSBSPs to file proposed new FOCUS Report Part IIC quarterly would impose an initial burden of 36hours per firm and an ongoing annual burden of 16 hours per firm.

<sup>65</sup> 100 hours + 100 hours + 960 hours + 160 hours + 900 hours = 2,220 hours.

<sup>66</sup> 480 hours + 10 hours + 40 hours + 102 hours + 20 hours + 1 hour + 1,152hours + 192 hours + 400 hours = 2,397 hours.

<sup>67</sup> (2,220 hours in first year + 2,397 hours in first year) + 2,397 hours in second year + 2,397 hours in third year = 9,411 hours.

<sup>68</sup> 13,056 hours / 3 years = 4,352 hours per year.

### 13. Costs to Respondents

The Commission estimates that Rule 18a-7, as adopted, will cause a stand-alone SBSB or a stand-alone MSBSP to incur no initial dollar cost, but will cause an annual dollar cost to meet the reporting requirements of the annual report, statement regarding accountant, engagement of accountant, and notice of change in fiscal year. Rule 18a-7, as adopted, is not expected to increase the initial or annual dollar costs that bank SBSBs and bank MSBSPs incur to meet the reporting requirements, because banks are already subject to reporting requirements by the prudential regulators.<sup>69</sup> Those requirements that are expected to impose an annual cost to the industry are discussed below.

**Website and Toll-Free Number:** The Commission does not anticipate a dollar cost to establish a website and a toll-free number under paragraph (b) of Rule 18a-7, as adopted, because the Commission believes firms that are large enough to register as an SBSB or MSBSP already maintain a toll-free number for their customers and already have an Internet website.

**Annual Report for Stand-Alone SBSBs and Stand-Alone MSBSPs:** The Commission estimates that postage costs to comply with paragraphs (c) and (d) of Rule 18a-7, as adopted, imposes on stand-alone SBSBs that are exempt from rule 18a-4 and stand-alone MSBSPs an annual dollar cost of \$7.70 per firm.<sup>70</sup> The Commission estimates that there are 10 respondents (six stand-alone SBSBs and four stand-alone MSBSPs), resulting in an estimated industry-wide cost for the stand-alone SBSBs of \$46.20 per year,<sup>71</sup> and an estimated industry-wide cost for the four stand-alone MSBSPs of \$30.80 per year.<sup>72</sup>

**Statement Regarding Accountant:** The Commission estimates that postage costs to comply with paragraph (e) of Rule 18a-7, as adopted, imposes an annual dollar cost of 55 cents per firm.<sup>73</sup> The Commission estimates that there are 10 respondents (nine stand-alone SBSBs and four stand-alone MSBSPs), resulting in **an industry-wide cost of \$5.50 per year.**<sup>74</sup>

**Engagement of Accountant for Stand-Alone SBSBs and Stand-Alone MSBSPs:** Paragraph (f) of Rule 18a-7, as adopted, requires stand-alone SBSBs and stand-alone MSBSPs to engage an independent public accountant to provide reports covering the firm's annual

<sup>69</sup> See, e.g., 12 CFR 12.3 (Department of Treasury); 12 CFR 219.21 *et seq.* (Federal Reserve); 12 CFR 344.4 (FDIC).

<sup>70</sup> As of February 2021, a priority mail flat rate envelope cost \$7.70, based on costs obtained on the U.S. Postal Service website at [www.usps.gov](http://www.usps.gov).

<sup>71</sup> \$7.70 per firm x 6 stand-alone SBSBs = \$46.20

<sup>72</sup> \$7.70 per firm x 4 stand-alone MSBSPs = \$30.80 per year.

<sup>73</sup> As of February 2021, it cost 55cents to send a one ounce retail domestic first-class letter through the U.S. Postal Service.

<sup>74</sup> \$0.55 per firm x 10 stand-alone SBSBs and stand-alone MSBSPs = \$5.50 per year.

reports.<sup>75</sup> The Commission previously estimated that it would cost each carrying firm \$300,000 to retain an independent public accountant to audit its financial statements and \$150,000 to examine its compliance report.<sup>76</sup> However, since only stand-alone SBSs are required to file a compliance report,<sup>77</sup> only they (and not stand-alone MSBSPs) would be required to retain an independent public accountant to review their compliance reports.

Therefore, Commission estimates that paragraph (f) of Rule 18a-7, as adopted, would impose an annual cost of \$300,000 on each stand-alone MSBSP. The Commission estimates that there are four stand-alone MSBSPs, resulting in **an industry-wide ongoing burden of \$1,200,000 per year.**<sup>78</sup>

The Commission estimates that paragraph (f) of proposed Rule 18a-7 would impose on stand-alone SBSs that are exempt from Rule 18a-4 an annual cost of \$303,000 per firm,<sup>79</sup> since both their financial statements and exemption report would need to be audited. The Commission estimates that there are six stand-alone SBSs, resulting in **an industry-wide ongoing burden of \$1,818,000 per year.**<sup>80</sup> The Commission estimates that paragraph (f) of Rule 18a-7 will impose on stand-alone SBSs not exempt from Rule 18a-4 an annual cost of \$450,000 per firm,<sup>81</sup> since both their financial statements and compliance report will need to be audited. The Commission estimates that there will be no stand-alone SBSs not exempt from Rule 18a-4.

**Notice of Change of Fiscal Year:** The Commission estimates that postage cost to comply with paragraph (j) of Rule 18a-7, as adopted, imposes an annual dollar cost of 55 cents per firm planning to change its fiscal year.<sup>82</sup> The Commission estimates that each year, one firm will change its fiscal year, such that the **estimated cost burden on the industry would be 55 cents per year.**<sup>83</sup>

---

<sup>75</sup> See paragraph (f) of proposed Rule 18a-7.

<sup>76</sup> See *Broker-Dealer Reports; Final Rule*, Exchange Act Release No. 70073 (July 30, 2013), 78 FR 51910, 51963 (Aug. 21, 2013).

<sup>77</sup> See paragraph (c)(1)(i)(B) of proposed Rule 18a-7.

<sup>78</sup> \$300,000 per year x 4 stand-alone MSBSPs = \$1,200,000 per year.

<sup>79</sup> \$300,000 per year (financial statements) + \$3,000 per year (exemption report) = \$303,000 per year.

<sup>80</sup> \$303,000 per year x 6 stand-alone SBSs = \$1,818,000 per year.

<sup>81</sup> \$300,000/year (financial statements) + \$150,000/year (compliance report) = \$450,000/year.

<sup>82</sup> As of February 2021, it cost 55 cents to send a one ounce retail domestic first-class letter through the U.S. Postal Service.

<sup>83</sup> \$0.55 per year x 1 stand-alone SBS or stand-alone MSBSP = \$0.55 per year.

**Total Industry Costs Burden:** Therefore, the total industry-wide dollar cost of proposed Rule 18a-7 is estimated to be **\$3,018,083 per year.**<sup>84</sup>

Summary of Dollar Costs										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Cost per Entity per Response	Initial Cost Annualized per Entity per Response	Ongoing Cost per Entity per Response	Annual Cost Per Entity per Response	Total Annual Cost Per Entity	Total Industry Cost	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Annual Reports for Stand-Alone MSBSPs	Reporting	4	1	\$0.00	\$0.00	\$7.70	\$7.70	\$7.70	\$30.8	0
Annual Reports for Stand-Alone SBSs	Reporting	6	1	\$0.00	\$0.00	\$7.70	\$7.70	\$7.70	\$46.20	0
Statement Regarding Independent Public Accountant	Reporting	10	1	\$0.00	\$0.00	\$0.55	\$0.550	\$0.55	\$5.50	0
Engagement of Accountant for Stand-Alone MSBSPs	Reporting	4	1	\$0.00	\$0.00	\$300,000.00	\$300,000.00	\$300,000.00	\$1,200,000.00	0
Engagement of Accountant for Stand-Alone SBSs exempt from 18a-4	Reporting	6	1	\$0.00	\$0.00	\$303,000	\$303,000	\$303,000	\$1,818,000.00	0
Notice of Change in Fiscal Year	Reporting	1	1	\$0.00	\$0.00	\$0.55	\$055	\$0.55	\$0.55	0
<b>TOTAL HOURLY COST FOR ALL RESPONDENTS</b>									<b>\$3,018,083.05</b>	

#### 14. Cost to Federal Government

Rule 18a-7 is not expected to result in costs to the federal government due to contracting, information technology, development, hiring one or more new employees, or reallocating existing employees.

#### 15. Changes in Burden

Generally, the annual burdens decreased as a result of the burden estimate being 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

<sup>84</sup> \$46.20 + \$30.80 + \$5.50 + \$0 + \$1,200,000 + 1,818,000 + \$.55 = \$3,018,083.05.

SBSDs that are registered as swap dealers with the CFTC to comply with the reporting requirements of the CFTC in lieu of Rule 18a-7.

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. The estimated number of SBSBD respondents has been reduced by this number to reflect this.

Certain cost estimates have increased as a result of an increase in the cost of postage. To the extent that the number of respondents associated with a particular cost estimate have decreased, the cost estimate has decreased notwithstanding the increase in postage.

The changes in the estimated burdens and costs are summarized in the tables 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
Reports for Model Stand-Alone SBSBDs (Previously referred to as Additional ANC Reports)	480	792	(312)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Customer Statements	43.33	56.33	(13)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Annual Reports for Stand-Along SBSBDs Exempt From Rule 18a-4 (previously referred to as Annual Reports for Stand-Alone SBSBDs)	102	630	(528)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
Statement Regarding Independent Public Accountant	53.33	69.33	(16)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10
FOCUS Report Part II for Stand-Alone SBSBDs (previously referred to as Proposed Form SBS for Stand-Alone SBSBDs)	1,472	2,208	(736)	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

Annual Reports for Stand-Alone MSBSPs	\$30.80	\$22.40	\$8.40	Increase in the cost estimate to reflect inflation with respect to the cost of postage
Annual Reports for Stand-Alone SBSDs	\$46.20	\$50.40	(\$4.20)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10 offsets the higher cost of postage, resulting in a lower estimated cost
Statement Regarding Independent Public Accountant	\$5.50	\$5.98	(\$0.48)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10 that offsets a higher postage cost resulting from inflation.
Engagement of Accountant for Stand-Alone SBSDs exempt from 18a-4 (previously referred to as Engagement for Stand-Alone SBSDs)	\$1,818,000	\$4,050,000	(\$2,232,000)	Reduced estimate for the number of respondents as a result of amendments to Rule 18a-10, and reduced cost estimate resulting from respondents filing an exemption report instead of a compliance report
Notice of Change in Fiscal Year	\$0.55	\$0.46	\$0.09	Increase in the cost estimate resulting from an increase in the cost of postage

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

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

**17. OMB Expiration Date Display Approval**

We request authorization to omit the expiration date on the electronic version of the form, although the OMB control number will be displayed. Including the expiration date on the electronic version of the form will result in increased costs, because the need to make changes to the form may not follow the application’s scheduled version release dates.

**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.