

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

**3235-0703**  
**Revision Due to Final 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. Information Collection Necessity

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

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

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<sup>1</sup> 15 U.S.C. 78k-1(a)(2).

<sup>2</sup> Pub. L. 94-29, 89 Stat. 97 (1975).

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

<sup>4</sup> 15 U.S.C. 78k-1(a)(1)(B).

<sup>5</sup> 15 U.S.C. 78k-1(a)(1)(C)(i).

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

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

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

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

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

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

<sup>8</sup> See 17 CFR 242.301(b)(6)(i)(A) and 17 CFR 242.301(b)(6)(i)(B).

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

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

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

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

### **Revision to the Information Collection**

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

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

The Commission adopted these amendments, with certain modifications, on December 9, 2020 (“Infrastructure Rules”). Specifically, the Commission adopted a definition of “SCI competing consolidator” that will subject competing consolidators to Regulation SCI, after a transition period, if they are above a specified consolidated market data gross revenue threshold.<sup>11</sup> The modification from the Proposal to subject only certain competing consolidators, rather than all competing consolidators, to Regulation SCI was based on the Commission’s recognition of the more limited role that certain competing consolidators may play in the securities markets and commenter concerns regarding the costs and potential barriers to entry that could result from requiring compliance with all of the requirements of Regulation SCI for all competing consolidators.

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

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

<sup>11</sup> See Securities Exchange Act Release No. 34-90610 (December 9, 2020), 86 FR 18596 (April 9, 2021) (File No. S7-03-20) (“Infrastructure Adopting Release”). An “SCI competing consolidator” is defined in Rule 1000 of Regulation SCI to mean “any competing consolidator, as defined in §242.600 which during at least four of the preceding six calendar months, accounted for five percent (5%) or more of consolidated market data gross revenue paid to the effective national market system plan or plans required under §242.603(b) for NMS stocks (1) listed on the New York Stock Exchange LLC, (2) listed on The Nasdaq Stock Market LLC, or (3) listed on national securities exchanges other than the New York Stock Exchange LLC or The Nasdaq Stock Market LLC, as reported by such plan or plans pursuant to the terms thereof.”

they would have the same estimated initial burdens as other new SCI entities and the same estimated ongoing burdens as all other SCI entities.

The Commission is not revising the burden hour estimates per entity that it set forth in the Infrastructure Proposal; however, it has revised its estimate of the number of competing consolidators (i.e., respondents) that will be subject to the collection of information requirements of Regulation SCI. Based on comments regarding the number of persons who could decide to perform the functions of a competing consolidator, the Commission has adjusted its estimate downward to eight such persons. In light of the reduction of the estimated competing consolidators to eight, and the 5% revenue threshold that the Commission has adopted in the definition of “SCI competing consolidator,” the Commission now estimates that seven competing consolidators will meet this definition and be subject to the requirements of Regulation SCI. Of the seven competing consolidators subject to the requirements of Regulation SCI, the Commission believes: two may be the existing exclusive SIPs, which are currently subject to Regulation SCI as plan processors; one may be an existing SCI SRO or entity affiliated with an SCI SRO that is subject to Regulation SCI; and four may be entities not currently subject to Regulation SCI, such as market data aggregation firms, broker-dealers that currently aggregate market data for internal uses, and entities that would be entering the market data aggregation business for the first time. However, the Commission is only revising the estimated number of respondents; the estimated burdens per respondent are the same as proposed.

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

### **a. Policies and Procedures Required by Rule 1001**

Rule 1001(a) helps to advance the goal of improving Commission review and oversight of U.S. securities market infrastructure by requiring an SCI entity’s policies and procedures to be reasonably designed to ensure its own operational capability, including the ability to maintain effective operations, minimize or eliminate the effect of performance degradations, and have sufficient backup and recovery capabilities. Because an SCI entity’s own operational capability can have the potential to impact investors, the overall market, or the trading of individual securities, the Commission believes that these policies and procedures will help promote the maintenance of fair and orderly markets. Rule 1001(b) helps to prevent the occurrence of systems compliance issues, and helps SCI entities to achieve operational compliance with the Exchange Act, the rules and regulations thereunder, and their governing documents. Rule 1001(c) helps make it clear to all employees of the SCI entity who the designated responsible SCI personnel are for purposes of the escalation procedures and so that Commission staff can easily identify such responsible SCI personnel in the course of its inspections and examinations and other interactions with SCI entities. The Commission also believes that escalation procedures to quickly inform responsible SCI personnel of potential SCI events helps ensure that the appropriate person(s) are provided notice of potential SCI events so that any appropriate actions can be taken in accordance with the requirements of Regulation SCI without unnecessary delay.

b. Mandate Participation in Certain Testing Required by Rule 1004

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

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

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

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

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

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

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

f. SCI Review Required by Rule 1003(b)

The SCI reviews under Rule 1003(b) not only assist the Commission in improving its oversight of the technology infrastructure of SCI entities, but also assist each SCI entity in assessing the effectiveness of its information technology practices, helping to ensure compliance

with the safeguards provided by the requirements of Regulation SCI, identifying potential areas of weakness that require additional or modified controls, and determining where to best devote resources.

g. Access to EFFS

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

h. Corrective Action Required by Rule 1002(a)

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

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

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

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

j. Recordkeeping Required by Rules 1005 and 1007

Rule 1005 assists the Commission in understanding whether an SCI entity is meeting its

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

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

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

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

### **4. Duplication**

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

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

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

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

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



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

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

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

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

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

Rule 1005(b) requires each SCI entity (other than an SCI SRO) to make, keep, and preserve at least one copy of all documents relating to its compliance with Regulation SCI for a period of not less than five years, the first two years in a place that is readily accessible to the Commission or its representatives for inspection and examination. The Commission notes that these recordkeeping time periods are consistent with those currently applicable to self-regulatory organizations (including SCI SROs) under Rule 17a-1 under the Exchange Act.

Finally, information submitted to the Commission under Regulation SCI could include proprietary trade secret or other confidential information. However, if a confidential treatment request is properly made, the Commission will keep the information collected pursuant to Form SCI confidential to the extent permitted by law.<sup>12</sup>

## 8. Consultations Outside the Agency

The Commission published a proposing release with respect to the Infrastructure Proposal soliciting comments on the proposed amendments' requirements and associated paperwork burdens.<sup>13</sup> Comments on Commission releases are generally received from industry groups, investors, and other market participants. In addition, the Commission and staff participated in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. Any comments received on this proposed rulemaking were posted on the Commission's public website and made available through [www.sec.gov/rules/proposed.shtml](http://www.sec.gov/rules/proposed.shtml). The Commission considered all comments received prior to publishing the final rule, and explained in the Infrastructure Adopting Release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

In particular, as discussed in the Infrastructure Adopting Release, two commenters stated that the Commission underestimated the costs of compliance with Regulation SCI.<sup>14</sup> One commenter stated that such compliance would require the development of technology environments for production, disaster recovery, development/quality assurance, and customer testing, and as such, the initial costs would greatly exceed the Commission's estimates, possibly by three to four times the amount.<sup>15</sup> However, as the Commission explained in the Infrastructure Adopting Release, competing consolidators may choose to develop four separate environments in the interest of resiliency and redundancy as suggested by this commenter, however, Regulation SCI does not prescribe this approach. While Regulation SCI does require SCI entities to maintain business continuity and disaster recovery plans which would include the development of technology environments for disaster recovery, the Commission included paperwork burdens related to this requirement in its estimates. In contrast, non-production systems are excluded from the scope of Regulation SCI<sup>16</sup> and as such, burden estimates related to such systems are excluded from the Commission's burden estimates. Further, the Commission believes that the burdens for competing consolidators that are subject to Regulation SCI would be the same as those the Commission has previously estimated for other SCI entities (or a percentage thereof if already an SCI entity or an affiliate thereof as described above), as the

<sup>12</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.* (Freedom of Information Act); 17 CFR 240.24b-2.

<sup>13</sup> See Proposing Release, *supra* note 10.

<sup>14</sup> See IDS Letter I at 13 and STANY Letter II at 6–7.

<sup>15</sup> IDS Letter I at 13.

<sup>16</sup> See SCI Adopting Release at 72273.

requirements are the same for all SCI entities. The Commission's 2018 burden estimates were based on the Commission's experience over three years subsequent to Regulation SCI's adoption in 2014 including, for example, Commission staff's experience in conducting examinations of SCI entities and receiving and reviewing notifications and reports required by Regulation SCI. For these reasons, the Commission does not agree with the assertions of this commenter that the estimates of initial burdens were underestimated.

Another commenter stated that the Commission underestimated the ongoing cost of compliance with Regulation SCI.<sup>17</sup> The estimate amounts cited by this commenter, however, were of non-paperwork related costs and were given in regard to a potential alternative that the Commission had considered of not extending all of the requirements of Regulation SCI to competing consolidators, but instead only imposing a broad policies and procedures requirement.

Some commenters expressed concern that the costs of SCI compliance would be a barrier to entry and could deter entities from seeking to become competing consolidators.<sup>18</sup> Similarly, several commenters, although not citing Regulation SCI specifically, expressed general skepticism about the ability to attract new entrants to register as competing consolidators, citing among other factors, potential lack of economic incentives. As noted above, in response to these comments, the Commission determined to adopt a definition of "SCI competing consolidator" to apply the requirements of Regulation SCI only to those competing consolidators who meet the consolidated market data gross revenue threshold set forth in the definition. As noted above, as a result of this change, as well as a revised estimate based on comments regarding the number of persons who could decide to perform the functions of a competing consolidator, the Commission has reduced its estimated number of respondents.

## **9. Payment or Gift**

Not applicable.

## **10. Confidentiality**

The Commission expects that the written policies and procedures, processes, criteria, standards, or other written documents developed or revised by SCI entities pursuant to Regulation SCI will be retained by SCI entities in accordance with, and for the periods specified in Exchange Act Rule 17a-1 and Rule 1005, as applicable. Should such documents be made available for examination or inspection by the Commission and its representatives, they would be

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<sup>17</sup> See STANY Letter II at 6–7.

<sup>18</sup> See NYSE Letter II at 15; ACTIV Financial Letter at 2; IDS Letter I at 13; STANY Letter II at 6–7; Angel Letter at 19–21. See also TD Ameritrade Letter at 13; Nasdaq Letter III at 4.

kept confidential subject to the provisions of applicable law.<sup>19</sup> In addition, the information submitted to the Commission pursuant to Regulation SCI that is filed on Form SCI is treated as confidential, subject to applicable law, including amended Rule 24b-2.<sup>20</sup> The information disseminated by SCI entities pursuant to Rule 1002(c) under Regulation SCI to their members or participants is not confidential.

## **11. Sensitive Questions**

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

## **12. Information Collection Burden**

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

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

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

The Commission estimates that approximately 2 entities will become SCI entities each year.<sup>21</sup> A new SCI entity will require an average of 534 burden hours initially to develop and draft the policies and procedures required by Rule 1001(a) (except for the policies and procedures required by paragraph (a)(2)(vi) for standards that result in systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful

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<sup>19</sup> Id.

<sup>20</sup> Id.

<sup>21</sup> This estimate for new SCI entities does not include SCI competing consolidators under the Infrastructure Rules. Competing consolidators that would become SCI entities are discussed separately throughout this analysis.

collection, processing, and dissemination of market data, which is discussed below), or 1,068<sup>22</sup> hours annually for all such SCI entities. With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO<sup>23</sup> would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 267 burden hours.<sup>24</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (534 hours), or 2,136 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities would be 3,471 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$178,418 for each new SCI entity,<sup>25</sup> or \$356,836 for all such new SCI entities.<sup>26</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$89,209. Four SCI competing consolidators would have the same costs as other new SCI entities (\$178,418), or \$713,672 for all such new SCI competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$1,159,717.

The Commission estimates that an SCI entity will require an average of 87 hours annually to review and update such policies and procedures, or 3,828 hours annually for all such SCI entities.<sup>27</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would instead become SCI competing consolidators and would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (87 hours each annually), or 435 hours annually for all such SCI competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities would be 4,263 hours.

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<sup>22</sup> 534 hours × 2 new SCI entities = 1,068 hours.

<sup>23</sup> Two of the seven SCI competing consolidators that are existing SIPs would be operating a substantially similar business and performing a similar function in their new role as SCI competing consolidators and therefore the Commission believes they would not have any material initial burdens to comply with the requirements of Regulation SCI.

<sup>24</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

<sup>25</sup> (192 Compliance Manager hours x \$307) + (192 Attorney hours x \$412) + (60 Senior Systems Analyst hours x \$282) + (60 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$178,418.

<sup>26</sup> \$178,418 x 2 = \$356,836. See also supra note 21.

<sup>27</sup> 87 hours × 44 SCI entities = 3,828 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$31,143 for each SCI entity,<sup>28</sup> or \$1,370,292 for all such SCI entities.<sup>29</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would instead become SCI competing consolidators and would have no additional cost (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$31,143 each), or \$155,715 for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all such SCI entities would be \$1,526,007.

With respect to the requirement in Rule 1001(a)(2)(vi) for policies and procedures that provide for standards that result in systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful collection, processing, and dissemination of market data, the Commission estimates that each new SCI entity will spend, on average, 160 hours initially, or 320 hours annually for all new SCI entities.<sup>30</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO<sup>31</sup> would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 80 burden hours.<sup>32</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (160 hours each), or 640 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities would be 1,040 hours.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden would be \$54,410 for each new SCI entity,<sup>33</sup> or \$108,820

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

<sup>29</sup> \$31,143 x 44 = \$1,370,292.

<sup>30</sup> 160 hours x 2 new SCI entities = 320 hours.

<sup>31</sup> Two of the seven SCI competing consolidators that are existing SIPs would be operating a substantially similar business and performing a similar function in their new role as competing consolidators and therefore the Commission believes would not have an initial burden under Rule 1001(a)(2)(vi).

<sup>32</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

<sup>33</sup> (30 Compliance Attorney hours x \$362) + (100 Senior Systems Analyst hours x \$282) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$54,410.

annually for all such new SCI entities.<sup>34</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$27,205. Four SCI competing consolidators would have the same costs as other new SCI entities (\$54,410) or \$217,640 for all such new SCI competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$353,665.

The Commission estimates that each SCI entity will spend, on average, 145 hours annually to review and update such policies and procedures, or 6,380 hours annually, on average, for all such SCI entities.<sup>35</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (145 hours each annually), or 725 hours annually for all such SCI competing consolidators. The total average ongoing burden, including the Infrastructure Rules, for all SCI entities would be 7,105 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$46,735 for each SCI entity,<sup>36</sup> or \$2,056,340 annually for all such SCI entities.<sup>37</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional cost (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$46,735 each), or \$233,675 for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, would be \$2,290,015.

In summary, the Commission estimates that the total average annual initial recordkeeping burden for complying with Rule 1001(a) for new SCI entities is 1,388 hours, or 694 hours per new SCI entity, and the total average annual ongoing recordkeeping burden for SCI entities is 10,208 hours, or approximately 232 hours per SCI entity. The Commission estimates that the total average annual initial recordkeeping burden for complying with Rule 1001(a) for SCI competing consolidators is 3,123 hours, or approximately 625 hours per competing consolidator (that is not currently a SIP),<sup>38</sup> and the total average annual ongoing recordkeeping burden for

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<sup>34</sup> \$54,410 x 2 = \$108,820.

<sup>35</sup> 145 hours x 44 SCI entities = 6,380 hours.

<sup>36</sup> (30 Compliance Attorney hours x \$362) + (100 Senior Systems Analyst hours x \$282) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$46,735.

<sup>37</sup> \$46,735 x 44 = \$2,056,340.

<sup>38</sup> This estimate is an average across five SCI competing consolidators, but as discussed

SCI competing consolidators is 1,160 hours, or approximately 232 hours per competing consolidator.

**The Commission estimates that:**

- **The total average annual initial recordkeeping burden for complying with Rule 1001(a), including the Infrastructure Rules, is 4,511 hours, and**
- **The total average annual ongoing recordkeeping burden for complying with Rule 1001(a), including the Infrastructure Proposal, is 11,368 hours.**

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

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

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

The Commission estimates that a new SCI entity will spend 270 hours initially to design the systems compliance policies and procedures, or 540 hours annually for all new SCI entities.<sup>39</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 135 burden hours.<sup>40</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (270 hours), or 1,080 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities would be 1,755 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$101,580 for each new SCI entity,<sup>41</sup> or \$203,160

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above one of the expected SCI competing consolidators that is currently an SRO is estimated to have only a 50% initial burden.

<sup>39</sup> 270 hours × 2 new SCI entities = 540 hours.

<sup>40</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

<sup>41</sup> (40 Compliance Attorney hours x \$362) + (200 Senior Systems Analyst hours x \$282) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$101,580.



annually for all such new SCI entities.<sup>42</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$50,790. Four SCI competing consolidators would have the same costs as other new SCI entities (\$101,580), or \$406,320 for all such new SCI competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$660,270.

The Commission estimates that each SCI SRO will spend, on average, 175 hours annually to review and update such policies and procedures, or 5,775 hours for all SCI SROs.<sup>43</sup> The Commission estimates that each SCI entity that is not an SRO will spend, on average, 95 hours annually to review and update such policies and procedures, or 1,045 hours for all such SCI entities.<sup>44</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would instead become SCI competing consolidators and would have no additional burden (i.e., they have been included in the above estimates). The Commission estimates that the remaining five SCI competing consolidators would have the same burdens as each SCI entity that is not an SRO (hereafter, a “non-SRO SCI entity”) (95 hours),<sup>45</sup> or 475 burden hours annually for all such SCI competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities would be 7,295 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$54,875 for each SCI SRO,<sup>46</sup> or \$1,810,875 for all such SCI entities.<sup>47</sup> The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$31,355 for each SCI entity that is not an SRO,<sup>48</sup> or \$344,905 for all such SCI entities.<sup>49</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would instead become SCI competing consolidators and would have no additional burden (i.e., they have been included in the above estimates). The Commission

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<sup>42</sup>  $\$54,410 \times 2 = \$108,820.$

<sup>43</sup>  $175 \text{ hours} \times 33 \text{ SCI SROs} = 5,775 \text{ hours}.$

<sup>44</sup>  $95 \text{ hours} \times 11 \text{ non-SRO SCI entities} = 1,045 \text{ hours}.$

<sup>45</sup> Although one of the five competing consolidators is an SRO or affiliated with an SRO, the Commission believes that SRO competing consolidators would have the same burdens as a non SRO SCI entity for these particular ongoing burdens.

<sup>46</sup>  $(26 \text{ Compliance Attorney hours} \times \$362) + (134 \text{ Senior Systems Analyst hours} \times \$282) + (10 \text{ Chief Compliance Officer hours} \times \$526) + (5 \text{ Director of Compliance hours} \times \$483) = \$54,875.$

<sup>47</sup>  $\$54,875 \times 33 = \$1,810,875.$

<sup>48</sup>  $(14 \text{ Compliance Attorney hours} \times \$362) + (66 \text{ Senior Systems Analyst hours} \times \$282) + (10 \text{ Chief Compliance Officer hours} \times \$526) + (5 \text{ Director of Compliance hours} \times \$483) = \$31,355.$

<sup>49</sup>  $\$31,355 \times 11 = \$344,905.$

estimates that the remaining five SCI competing consolidators would have the same average internal cost of compliance as non-SRO SCI entities, (\$31,355) or \$156,775 burden hours annually for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, would be \$2,312,555 for all SCI entities.

**The Commission estimates that:**

- **the total average annual initial recordkeeping burden for complying with Rule 1001(b), including the Infrastructure Rules, is 1,755 hours;**
- **the total average annual ongoing recordkeeping burden for complying with Rule 1001(b) for SCI SROs is 5,775 hours; and**
- **the total average annual ongoing recordkeeping burden for complying with Rule 1001(b) for non-SRO SCI entities is 1,520 hours.**

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

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

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

The Commission estimates that each new SCI entity will require 114 hours initially to establish the criteria for identifying responsible SCI personnel and the escalation procedures, or 228 hours for all new SCI entities.<sup>50</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours. Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (114 hours), or 456 hours annually for all such new SCI entities.<sup>51</sup> The total average initial burden, including the Infrastructure Rules, for all such SCI entities would be 741 hours.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden would be \$42,528 for each new SCI entity,<sup>52</sup> or \$85,056 for all

<sup>50</sup> 114 hours × 2 new SCI entities = 228 hours.

<sup>51</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

<sup>52</sup> (32 Compliance Manager hours x \$307) + (32 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (10 Operations Specialist hours x \$135) + (20 Chief Compliance Officer

such new SCI entities.<sup>53</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidators would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$21,264. Four SCI competing consolidators would have the same costs as other new SCI entities (\$42,528), or \$170,112 for all such new SCI competing consolidators. The total annual internal cost of compliance with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$276,432.

The Commission also estimates that, on average, each SCI entity will require 39 hours annually to review and update the criteria and the escalation procedures, or 1,716 hours annually for all SCI entities.<sup>54</sup> With respect to the Infrastructure Rules, the Commission estimates that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (39 hours each annually), or 195 hours annually for all such SCI competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities would be 1,911 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$15,548 for each SCI entity,<sup>55</sup> or \$684,112 for all such SCI entities.<sup>56</sup> With respect to the Infrastructure Rules, the Commission estimates that two of the seven SCI competing consolidators that are the existing SIPs would have no additional cost (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$15,548 each), or \$77,740. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$761,852.

**The Commission estimates that:**

- **The total average annual initial recordkeeping burden for complying with Rule 1001(c), including the Infrastructure Proposal, is 741 hours, and**
- **The total average annual ongoing recordkeeping burden for complying with Rule 1001(c), including the Infrastructure Proposal, is 1,911 hours.**

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

<sup>53</sup> \$42,528 x 2 = \$85,056.

<sup>54</sup> 39 hours x 44 SCI entities = 1,716 hours.

<sup>55</sup> (9.5 Compliance Manager hours x \$307) + (9.5 Attorney hours x \$412) + (2.5 Senior Systems Analyst hours x \$282) + (2.5 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$15,548.

<sup>56</sup> \$15,548 x 44 = \$684,112.

d. Mandate Participation in Certain Testing Required by Rule 1004

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

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

The Commission estimates that the requirements under Rules 1004(a) (*i.e.*, establishment of standards for the designation of members and participants) and (c) (*i.e.*, coordination of testing on an industry- or sector-wide basis) will initially require 360 hours for each new SCI entity that is not a plan processor,<sup>57</sup> or 720 hours annually for all such SCI entities.<sup>58</sup> With respect to the Infrastructure Rules, the Commission estimates that three SCI competing consolidators that are currently SIPs or SROs or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity,<sup>59</sup> which will require an average of 180 burden hours, or 540 burden hours annually for all such SCI competing consolidators.<sup>60</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (360 hours), or 1,440 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities would be 2,700 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$107,298 for each new SCI entity that is not a

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<sup>57</sup> The estimate of 360 hours includes the burden for designating members or participants for testing, as required by Rule 1004(b).

<sup>58</sup>  $360 \text{ hours} \times 2 \text{ new SCI entities other than plan processors} = 720 \text{ hours}$ .

<sup>59</sup> The Commission believes that for this particular burden, existing SIPs that become SCI competing consolidators will have the same burdens as other SRO SCI entities and have not otherwise been included in prior burden estimates, and so they have been added to this burden estimate.

<sup>60</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

plan processor,<sup>61</sup> or \$214,596 annually for all such entities.<sup>62</sup> With respect to the Infrastructure Rules, the Commission estimates that three SCI competing consolidators that are currently SIPs or SROs or affiliated with an SRO would each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$53,649 for each such competing consolidator, or \$160,947 for all such SCI entities. Four competing consolidators would have the same costs as other new SCI entities (\$107,298), or \$429,192 for all such new competing consolidators. The total annual internal cost of compliance with this initial recordkeeping burden, including the Infrastructure Proposal, for all such SCI entities would be \$804,735.

Further, the Commission estimates that the requirements under Rules 1004(a) and (c) will require 135 hours annually for each SCI entity that is not a plan processor, or an average estimate of 5,670 hours annually for all such SCI entities.<sup>63</sup> With respect to the Infrastructure Rule, the seven SCI competing consolidators<sup>64</sup> would have the same average ongoing burden as other SCI entities (135 hours each annually), or 945 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities would be 6,615 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$35,925 for each SCI entity,<sup>65</sup> or \$1,508,850 annually for all such entities.<sup>66</sup> With respect to the Infrastructure Rules, the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$35,925), or \$251,475. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$1,760,325. Based on its

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<sup>61</sup> (40 Compliance Manager hours x \$307) + (60 Attorney hours x \$412) + (20 Assistant General Counsel hours x \$462) + (60 Senior Operations Manager hours x \$362) + (140 Operations Specialist hours x \$135) + (26 Chief Compliance Officer hours x \$526) + (14 Director of Compliance hours x \$483) = \$107,298.

<sup>62</sup> \$107,298 x 2 = \$214,596.

<sup>63</sup> 135 hours x 42 SCI entities other than plan processors = 5,670 hours. As noted in the SCI Adopting Release, the Commission does not believe that there would be significant annual burden under Rule 1004(a), as the Commission believes that designation standards will likely not change substantially on an annual basis. See Regulation SCI Adopting Release, 79 FR 72380, FN. 1495.

<sup>64</sup> The Commission notes that for this particular burden, existing SIPs that become SCI competing consolidators have not otherwise been included in prior burden estimates, and the Commission believes they will have the same burdens as other SCI entities, and therefore they have been added to this burden estimate.

<sup>65</sup> (10 Compliance Manager hours x \$307) + (15 Attorney hours x \$412) + (5 Assistant General Counsel hours x \$462) + (20 Senior Operations Manager hours x \$362) + (70 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$35,925.

<sup>66</sup> \$35,925 x 42 = \$1,508,850.

experience with plan processors, the Commission believes that plan processors will outsource the work related to compliance with Rule 1004 (and, accordingly, such outsourced costs have been included in the response to Item 13).

**In summary, the Commission estimates that:**

- **The total average annual initial recordkeeping burden for complying with Rule 1004(a) and (c), including the Infrastructure Proposal, is 2,700 hours, and**
- **The total average annual ongoing recordkeeping burden is 6,615 hours.**

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

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

Rule 1002(b)(1) requires each SCI entity, upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred, to notify the Commission immediately. Based on experience from the previous three years, the Commission staff estimates that each SCI entity will submit, on average, 5 notifications per year pursuant to Rule 1002(b)(1). These notifications can be made orally or in writing, and the Commission estimates that approximately one-fourth of these notifications will be submitted in writing (*i.e.*, approximately 1 event per year for each SCI entity), and approximately three-fourths will be provided orally (*i.e.*, approximately 4 events per year for each SCI entity). The written notifications may be submitted on Form SCI. The Commission estimates that each written notification will require 2 hours and each oral notification will require 1.5 hours. The Commission estimates that each SCI entity will require an average of 8 hours annually to comply with Rule 1002(b)(1),<sup>67</sup> or, on average, 352 hours annually for all SCI entities.<sup>68</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (*i.e.*, they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (8 hours each annually) or 40 hours annually for all such competing consolidators. **The Commission estimates that the average annual ongoing burden for complying with Rule 1002(b)(1), including the Infrastructure Proposal, would be 392 hours for all SCI entities.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for written notifications would be approximately \$637 for

<sup>67</sup> 1 written notification each year × 2 hours per notification + 4 oral notifications each year × 1.5 hours per notification = 8 hours.

<sup>68</sup> 8 hours × 44 SCI entities = 352 hours.

each SCI entity,<sup>69</sup> and for oral notifications would be \$1,827 for each SCI entity,<sup>70</sup> or, on average, \$108,394 annually for all such SCI entities for all notifications.<sup>71</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities, or on average or \$3,183 for written notifications<sup>72</sup> and \$9,135 for oral notifications annually for all such SCI competing consolidators, or on average, \$12,318 for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$120,712.

Rule 1002(b)(2) requires each SCI entity, within 24 hours of any responsible SCI personnel having a reasonable basis to conclude that the SCI event has occurred, to submit a written notification to the Commission pertaining to the SCI event on a good faith, best efforts basis. These notifications are required to be submitted on Form SCI. The Commission estimates that each notification under Rule 1002(b)(2) will require 24 hours for each SCI entity. The Commission estimates that each SCI entity will require an average of 120 hours annually to comply with Rule 1002(b)(2),<sup>73</sup> or 5,280 hours annually for all SCI entities.<sup>74</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (120 hours each annually) or 600 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(2), including the Infrastructure Rules, for all SCI entities would be 5,880 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$39,535 for each SCI entity,<sup>75</sup> or \$1,739,540

<sup>69</sup>  $(0.5 \text{ Compliance Manager hours} \times \$307) + (0.5 \text{ Attorney hours} \times \$412) + (0.5 \text{ Senior Systems Analyst hours} \times \$282) + (0.5 \text{ Senior Business Analyst hours} \times \$272) = \$636.50$ . \$636.50 per notification x 1 written notification each year = \$636.50.

<sup>70</sup>  $(0.25 \text{ Compliance Manager hours} \times \$307) + (0.25 \text{ Attorney hours} \times \$412) + (0.5 \text{ Senior Systems Analyst hours} \times \$282) + (0.5 \text{ Senior Business Analyst hours} \times \$272) = \$456.75$ . \$456.75 per notification x 4 oral notifications each year = \$1,827.

<sup>71</sup>  $\$636.50 + \$1,827 = \$2,463.5$ .  $\$2,463.5 \times 44 = \$108,394$ .

<sup>72</sup> See *supra* note 69 (estimating \$636.50 per SCI entity per year).

<sup>73</sup> 5 written notifications each year x 24 hours per notification = 120 hours.

<sup>74</sup> 120 hours x 44 SCI entities = 5,280 hours.

<sup>75</sup>  $(5 \text{ Compliance Manager hours} \times \$307) + (5 \text{ Attorney hours} \times \$412) + (6 \text{ Senior Systems Analyst hours} \times \$282) + (1 \text{ Assistant General Counsel hour} \times \$462) + (1 \text{ Chief Compliance Officer hour} \times \$526) + (6 \text{ Senior Business Analyst hours} \times \$272) = \$7,907$ . \$7,907 per notification x 5

annually for all such entities.<sup>76</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance (\$39,535 each), or \$197,675 for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$1,937,215.

Rule 1002(b)(3) requires each SCI entity to provide updates to the Commission pertaining to an SCI event on a regular basis, or at such frequency as reasonably requested by a representative of the Commission, until the SCI event is resolved and the SCI entity's investigation of the SCI event is closed. These updates can be provided orally or in writing, and the Commission estimates that, based on past experience, each SCI entity will submit 1 written update and 1 oral update each year, for a total of 2 updates each year. The written updates may be submitted on Form SCI. The Commission estimates that each written update will require 6 hours and each oral update will require 4.5 hours. The Commission estimates that each SCI entity will require an average of 10.5 hours annually to comply with Rule 1002(b)(3),<sup>77</sup> or, on average, 462 hours annually for all SCI entities.<sup>78</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (10.5 hours each annually) or 52.5 hours annually for all such competing consolidators. **The Commission estimates that the average annual ongoing burden for complying with Rule 1002(b)(3), including the Infrastructure Rules, would be 515 hours for all SCI entities.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for the written update would be \$1,909.50 for each SCI entity,<sup>79</sup> and for the oral update would be \$1,370.25 for each SCI entity,<sup>80</sup> or \$144,309 annually for all such SCI entities for all notifications.<sup>81</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs

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notifications each year = \$39,535.

<sup>76</sup> \$39,535 x 44 = \$1,739,540.

<sup>77</sup> 1 written updates each year x 6 hours per notification + 1 oral updates each year x 4.5 hours per notification = 10.5 hours.

<sup>78</sup> 10.5 hours x 44 SCI entities = 462 hours.

<sup>79</sup> (1.5 Compliance Manager hours x \$307) + (1.5 Attorney hours x \$412) + (1.5 Senior Systems Analyst hours x \$282) + (1.5 Senior Business Analyst hours x \$272) = \$1,909.50.

<sup>80</sup> (0.75 Compliance Manager hours x \$307) + (0.75 Attorney hours x \$412) + (0.5 Senior Systems Analyst hours x \$282) + (0.5 Senior Business Analyst hours x \$272) = \$1,370.25.

<sup>81</sup> \$1909.50 + \$1,370.25 = \$3,279.75. \$3,279.75 x 44 = \$144,309.



would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities, or on average \$1,909.50 for written notifications and \$1,370.25 for oral notifications for each competing consolidator, or \$16,398.75 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$160,707.75.

Rule 1002(b)(4) requires each SCI entity to submit written interim reports, as necessary, and a written final report regarding an SCI event to the Commission. These reports are required to be submitted on Form SCI. The Commission estimates that compliance with Rule 1002(b)(4) for a particular SCI event will require 35 hours. Because the Commission estimates that each SCI entity will experience an average of 5 SCI events each year that are not de minimis SCI events, Rule 1002(b)(4) will result in 5 reporting requirements per SCI entity per year. The Commission estimates that each SCI entity will require an average of 175 hours annually to comply with Rule 1002(b)(4),<sup>82</sup> or 7,700 hours annually for all SCI entities.<sup>83</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (175 hours each annually) or 875 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(4), including the Infrastructure Rules, for all SCI entities would be 8,575 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$61,065 for each SCI entity,<sup>84</sup> or, on average,

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<sup>82</sup> 5 written notifications each year × 35 hours per notification = 175 hours.

<sup>83</sup> 175 hours × 44 SCI entities = 7,700 hours. The Commission notes that this reporting burden estimate includes the reporting burden for submitting the one interim Commission notification required under Rule 1002(b)(4)(i)(B) (if necessary). In particular, the Commission notes that the interim notification requires SCI entities to include the same information as required to be included in a final notification under Rule 1002(b)(4)(i)(A), except that SCI entities are only required to provide the information to the extent known at the time of the interim notification. If an SCI entity submits an interim notification, it is also required to submit a final notification, which is required to include all of the remaining information that was not provided in the interim notification. Because all SCI entities are required to provide the same amount of information in total for a particular SCI event under Rule 1002(b)(4), regardless of whether they submit an interim notification, the estimated burden for Rule 1002(b)(4) includes the burden for both the interim notification (if necessary) and the final notification related to a particular SCI event.

<sup>84</sup> (8 Compliance Manager hours x \$307) + (8 Attorney hours x \$412) + (7 Senior Systems Analyst hours x \$282) + (2 Assistant General Counsel hours x \$462) + (1 General Counsel hour x \$607) + (2 Chief Compliance Officer hours x \$526) + (7 Senior Business Analyst hours x \$272) = \$12,213. \$12,213 per notification x 5 notifications each year = \$61,065.

\$2,686,860 annually for all such SCI entities.<sup>85</sup> With respect to the Infrastructure Proposal, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$61,065 each), or on average, \$305,325 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$2,992,185.

Rule 1002(b)(5) requires each SCI entity to submit to the Commission quarterly reports containing a summary description of any systems disruption or systems intrusion that has had, or the SCI entity reasonably estimates would have, no or a de minimis impact on the SCI entity's operations or on market participants. These reports are required to be submitted on Form SCI. The Commission estimates that the initial and ongoing reporting burden to comply with the quarterly report requirement will be 40 hours per report per SCI entity, or 160 hours annually per SCI entity,<sup>86</sup> and, on average, 7,040 hours annually for all SCI entities.<sup>87</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (160 hours each annually) or 800 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(5), including the Infrastructure Rules, for all SCI entities would be 7,840 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$54,062 for each SCI entity,<sup>88</sup> or \$2,378,728 annually for all such SCI entities.<sup>89</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$54,062 each), or on average, \$270,310 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$2,649,038.

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<sup>85</sup> \$61,065 x 44 = \$2,686,860.

<sup>86</sup> 40 hours x 4 reports each year = 160 hours.

<sup>87</sup> 160 hours x 44 SCI entities = 7,040 hours.

<sup>88</sup> (7.5 Compliance Manager hours x \$307) + (7.5 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (2 Assistant General Counsel hours x \$462) + (1 General Counsel hour x \$607) + (2 Chief Compliance Officer hours x \$526) + (10 Senior Business Analyst hours x \$272) = \$13,515.50. \$13,515.50 per report x 4 reports each year = \$54,062.

<sup>89</sup> \$54,062 x 44 = \$2,378,728.

In summary, the Commission estimates that the total reporting burden for complying with Rule 1002(b) is 20,834 hours per year,<sup>90</sup> or 473.50 hours per SCI entity.<sup>91</sup> With respect to the Infrastructure Rules, the total reporting burden for the five competing consolidators will be 2,367.5 hours. The total reporting burden for all SCI entities will be 23,201.5 hours.

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

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

Rule 1002(c)(1)(i) requires each SCI entity, promptly after any responsible SCI personnel has a reasonable basis to conclude that an SCI event (other than a systems intrusion) has occurred, to disseminate certain information to its members or participants. The Commission estimates that each SCI entity will disseminate information regarding 3 SCI events each year under Rule 1002(c)(1)(i). The Commission estimates that each information dissemination under Rule 1002(c)(1)(i) will require 7 hours. Thus, the total annual third party disclosure burden to comply with Rule 1002(c)(1)(i) will be 21 hours per SCI entity,<sup>92</sup> or, on average, 924 hours annually for all SCI entities.<sup>93</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (21 hours each annually), or 105 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1002(c)(1)(i), including the Infrastructure Rules, for all SCI entities would be 1,029 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be approximately \$13,733 for each SCI entity,<sup>94</sup> or, on average, \$604,230 annually for all such SCI entities. With respect to the Infrastructure Proposal, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$13,733 each), or on average, \$68,665 annually

<sup>90</sup> 352 hours (Rule 1002(b)(1)) + 5,280 hours (Rule 1002(b)(2)) + 462 hours (Rule 1002(b)(3)) + 7,700 hours (Rule 1002(b)(4)) + 7,040 hours (Rule 1002(b)(5)) = 20,834 hours per year.

<sup>91</sup> 20,834 hours ÷ 44 SCI entities = 473.5 hours per SCI entity.

<sup>92</sup> 3 information disseminations each year × 7 hours per dissemination = 21 hours.

<sup>93</sup> 21 hours × 44 SCI entities = 924 hours.

<sup>94</sup> (1 Compliance Manager hours x \$307) + (2.67 Attorney hours x \$412) + (1 Senior Systems Analyst hours x \$282) + (0.5 General Counsel hour x \$607) + (0.5 Director of Compliance hours x \$483) + (0.5 Chief Compliance Officer hours x \$526) + (.5 Corporate Communications Manager hours x \$337) + (.33 Webmasters hours x \$246) = \$2,746.50. \$2,746.50 per notification x 5 notifications each year = \$13,732.50.

for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$672,895.

Rule 1002(c)(1)(ii) requires each SCI entity, when known, to promptly disseminate additional information about an SCI event (other than a systems intrusion) to its members or participants. Rule 1002(c)(1)(iii) requires each SCI entity to provide to its members or participants regular updates of any information required to be disseminated under Rules 1002(c)(1)(i) and (ii) until the SCI event is resolved. The Commission estimates that each SCI entity will disseminate 3 updates for each SCI event under Rules 1002(c)(1)(ii) and (iii), or 9 updates each year.<sup>95</sup> The Commission estimates that each update under Rules 1002(c)(1)(ii) and (iii) will require 13 hours. Thus, the total annual third party disclosure burden to comply with Rules 1002(c)(1)(ii) and (iii) will be 117 hours per SCI entity,<sup>96</sup> or, on average, 5,148 hours annually for all SCI entities.<sup>97</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (117 hours each annually), or 585 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1002(c)(1)(ii), including the Infrastructure Rules, for all SCI entities would be 5,733 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$46,224 for each SCI entity,<sup>98</sup> or, on average, \$2,033,856 annually for all such SCI entities.<sup>99</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$46,224 each), or on average, \$231,120 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$2,264,976.

Rule 1002(c)(2) requires each SCI entity to disseminate certain information regarding a systems intrusion to its members or participants, and provides an exception when the SCI entity

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<sup>95</sup> 3 SCI events × 3 updates per SCI event = 9 updates.

<sup>96</sup> 9 updates each year × 13 hours per update = 117 hours.

<sup>97</sup> 117 hours × 44 SCI entities = 5,148 hours.

<sup>98</sup> (2 Compliance Manager hours x \$307) + (4.67 Attorney hours x \$412) + (2 Senior Systems Analyst hours x \$282) + (1 General Counsel hour x \$607) + (1 Director of Compliance hours x \$483) + (1 Chief Compliance Officer hours x \$526) + (1 Corporate Communications Manager hours x \$337) + (.33 Webmasters hours x \$246) = \$5,136. \$5,136 per update x 9 notifications each year = \$46,224.

<sup>99</sup> \$46,224 x 44 = \$2,033,856.

determines that dissemination of such information would likely compromise the security of its SCI systems or indirect SCI systems, or an investigation of the systems intrusion, and documents the reasons for such determination. The Commission estimates that each SCI entity will disseminate information regarding 1 systems intrusion each year under Rule 1002(c)(2). The Commission estimates that each dissemination under Rule 1002(c)(2) will require 10 hours. Thus, the total annual third party disclosure burden to comply with Rule 1002(c)(2) will be 10 hours per SCI entity, or, on average, 440 hours for all SCI entities.<sup>100</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (10 hours each), or 50 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1002(c)(2), including the Infrastructure Rules, for all SCI entities would be 490 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be approximately \$3,941 for each SCI entity,<sup>101</sup> or \$173,415 annually for all such SCI entities.<sup>102</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$3,941 each), or on average, \$19,706 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$193,121.

In summary, the total annual third party disclosure burden to comply with Rule 1002(c) will be, on average, 6,512 hours for all SCI entities,<sup>103</sup> or 148 hours annually per SCI entity.<sup>104</sup> With respect to the Infrastructure Rules, the total burden will be, on average, 740 hours for the five SCI competing consolidators (not including the current SIPs which are included in the prior estimate). The total average annual burden would be 7,252 hours for all SCI entities.

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

<sup>100</sup> 10 hours × 44 SCI entities = 440 hours.

<sup>101</sup> (1.5 Compliance Manager hours x \$307) + (3.67 Attorney hours x \$412) + (1.5 Senior Systems Analyst hours x \$282) + (0.75 General Counsel hour x \$607) + (0.75 Director of Compliance hours x \$483) + (0.75 Chief Compliance Officer hours x \$526) + (0.75 Corporate Communications Manager hours x \$337) + (.33 Webmasters hours x \$246) = \$3,941.25.

<sup>102</sup> \$3,941.25 x 44 = \$173,415.

<sup>103</sup> 924 hours (Rule 1002(c)(1)(i)) + 5,148 hours (Rules 1002(c)(1)(ii) and (iii)) + 440 hours (Rule 1002(c)(2)) = 6,512 hours.

<sup>104</sup> 6,512 hours ÷ 44 SCI entities = 148 hours per SCI entity.

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

Rule 1003(a)(1) requires each SCI entity to submit to the Commission quarterly reports describing completed, ongoing, and planned material changes to its SCI systems and security of indirect SCI systems during the prior, current, and subsequent calendar quarters. These reports are required to be submitted on Form SCI. The Commission estimates that the reporting burden to comply with the quarterly reporting requirement will be 125 hours per report per SCI entity, or 500 hours annually per SCI entity<sup>105</sup> and an average of 22,000 hours annually for all SCI entities.<sup>106</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (500 hours each annually), or 2,500 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1003(a)(1), including the Infrastructure Rules, for all SCI entities would be 24,500 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for quarterly reports would be \$149,330 for each SCI entity,<sup>107</sup> or \$6,570,520 for all such SCI entities.<sup>108</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$149,330 each), or on average, \$746,650 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Proposal, for all SCI entities would be \$7,317,170.

Rule 1003(a)(2) requires each SCI entity to promptly submit a supplemental report notifying the Commission of a material error in or material omission from a report previously submitted under Rule 1003(a)(1). These reports are required to be submitted on Form SCI. The Commission estimates that each SCI entity will submit 1 supplemental report each year. The Commission estimates that the reporting burden to comply with the supplemental report requirement will be 15 hours per report per SCI entity, and, on average, 660 hours annually for all SCI entities.<sup>109</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden

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<sup>105</sup> 125 hours × 4 reports each year = 500 hours.

<sup>106</sup> 500 hours × 44 SCI entities = 22,000 hours.

<sup>107</sup> (7.5 Compliance Manager hours x \$307) + (7.5 Attorney hours x \$412) + (5 Chief Compliance Officer hours x \$526) + (75 Senior Systems Analyst hours x \$282) + (30 Senior Business Analyst hours x \$272) = \$37,332.50. \$37,332.50 per report x 4 reports each year = \$149,330.

<sup>108</sup> \$149,330 x 44 = \$6,570,520.

<sup>109</sup> 15 hours × 44 SCI entities = 660 hours.

(i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (15 hours each annually), or 75 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rule 1003(a)(2), including the Infrastructure Rules, for all SCI entities would be 735 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for supplemental reports would be \$4,754 for each SCI entity,<sup>110</sup> or, on average, \$209,176 annually for all such SCI entities.<sup>111</sup> With respect to the Infrastructure Proposal, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$4,754 each), or on average, \$23,770 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$232,946.

In summary, the Commission estimates that the total reporting burden for complying with Rule 1003(a) is, on average, 22,660 hours per year,<sup>112</sup> or 515 hours annually per SCI entity.<sup>113</sup> With respect to the Infrastructure Rules, the total reporting burden will be, on average, 2,575 hours for the five SCI competing consolidators (not including the current SIPs which are included in the prior estimate). The total average annual burden would be 25,235 hours for all SCI entities.

#### h. SCI Review Required by Rule 1003(b)

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

Rule 1003(b)(1) requires each SCI entity to conduct an SCI review of its compliance with Regulation SCI not less than once each calendar year, with an exception for penetration test reviews, which are required to be conducted not less than once every three years. Rule 1003(b)(1) also provides an exception for assessments of SCI systems directly supporting market regulation or market surveillance, which are required to be conducted at a frequency based on the risk assessment conducted as part of the SCI review, but in no case less than once every three years. Rule 1003(b)(2) requires each SCI entity to submit a report of the SCI review to senior

<sup>110</sup> (2 Compliance Manager hours x \$307) + (2 Attorney hours x \$412) + (1 Chief Compliance Officer hours x \$526) + (7 Senior Systems Analyst hours x \$282) + (3 Senior Business Analyst hours x \$272) = \$4,754.

<sup>111</sup> \$4,754 x 44 = \$209,176.

<sup>112</sup> 22,000 hours for Rule 1003(a)(1) + 660 hours for Rule 1003(a)(2) = 22,660 hours.

<sup>113</sup> 22,660 hours ÷ 44 SCI entities = 515 hours per SCI entity.

management no more than 30 calendar days after completion of the review. The Commission estimates that the annual recordkeeping burden of conducting an SCI review and submitting the SCI review to senior management of the SCI entity for review will be approximately 690 hours for each SCI entity, and, on average, 30,360 hours annually for all SCI entities.<sup>114</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (690 hours each annually), or 3,450 hours annually for all such competing consolidators. **The Commission estimates that the total average annual burden for complying with Rules 1003(b)(1) and 1003(b)(2), including the Infrastructure Rules, for all SCI entities would be 33,810 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$221,015 for each SCI entity,<sup>115</sup> or \$9,724,660 annually for all such SCI entities.<sup>116</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$221,015 each), or on average, \$1,105,075 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$10,829,735.

Rule 1003(b)(3) requires each SCI entity to submit the report of the SCI review to the Commission and to its board of directors or the equivalent of such board, together with any response by senior management, within 60 calendar days after its submission to senior management. These reports are required to be submitted on Form SCI. The Commission estimates that each SCI entity will require approximately 1 hour per year to submit the report of the SCI review and any response by senior management to the Commission and to its board of directors or the equivalent of such board, for a reporting burden of approximately 44 hours annually for all SCI entities.<sup>117</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (1 hour each annually), or 5 hours annually for all such competing consolidators. **The Commission estimates**

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<sup>114</sup> 690 hours × 44 SCI entities = 30,360 hours.

<sup>115</sup> (35 Compliance Manager hours x \$307) + (80 Attorney hours x \$412) + (375 Senior Systems Analyst hours x \$282) + (5 General Counsel hours x \$607) + (5 Director of Compliance hours x \$483) + (20 Chief Compliance Officer hours x \$526) + (170 Internal Audit Manager hours x \$327) = \$221,015.

<sup>116</sup> \$221,015 x 44 = \$9,724,660.

<sup>117</sup> 1 hour × 44 SCI entities = 44 hours.



**that the total average annual burden for complying with Rule 1003(b)(3), including the Infrastructure Rules, for all SCI entities would be 49 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden would be \$412 for each SCI entity,<sup>118</sup> or \$18,128 annually for all such SCI entities.<sup>119</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$412 each), or on average, \$2,060 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$20,188.

i. Access to EFFS

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

An SCI entity will submit to the Commission an EAUF to register each individual at the SCI entity who will access the EFFS system on behalf of the SCI entity. The Commission is including in its burden estimates the reporting burden for completing the EAUF for each individual at an SCI entity that will request access to EFFS. The Commission estimates that initially, on average, two individuals at each SCI entity will request access to EFFS through the EAUF, and each EAUF will require 0.15 hours to complete and submit. Therefore, each new SCI entity will initially require 0.3 hours to complete the requisite EAUFs,<sup>120</sup> or 0.6 hours annually for all new SCI entities.<sup>121</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 0.15 burden hours.<sup>122</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (0.3 hours each), or 1.2 hours annually for all such new SCI entities. This averages out to .125 hours per response,

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<sup>118</sup> 1 Attorney hour x \$412 = \$412.

<sup>119</sup> \$412 x 44 = \$18,128.

<sup>120</sup> 0.15 hours per EAUF × 2 individuals = 0.3 hours per SCI entity.

<sup>121</sup> 0.30 hours × 2 new SCI entities = 0.6 hours.

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

with 12 respondents and 2 responses per respondent. **The Commission estimates that the total average initial burden for access to EFFS, including the Infrastructure Rules, for all such SCI entities would be 1.95 hours.**

The Commission estimates that the average cost associated with this initial burden would be \$124 for each new SCI entity,<sup>123</sup> or \$248 annually for all such new SCI entities.<sup>124</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$62. Four SCI competing consolidators would have the same costs as other new SCI entities (\$124 each), or \$496 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$806.

The Commission also estimates that annually, on average, one individual at each SCI entity will request access to EFFS through EAUF. Therefore, the ongoing burden to complete the EAUF will be 0.15 hours annually per SCI entity,<sup>125</sup> or, on average, 6.6 hours annually for all SCI entities.<sup>126</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burden as other SCI entities (.15 hours each annually), or .75 hours annually for all such SCI competing consolidators. **The Commission estimates that the total average annual burden for access to EFFS, including the Infrastructure Rules, for all SCI entities would be 7.35 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing burden would be \$62 for each SCI entity,<sup>127</sup> or \$2,728 annually for all such SCI entities.<sup>128</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$62 each), or on average, \$310 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$3,038.

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<sup>123</sup> 0.3 Attorney hour x \$412 = \$124.

<sup>124</sup> \$124 x 2 = \$248.

<sup>125</sup> 0.15 hours per EAUF × 1 individual = 0.15 hours per SCI entity.

<sup>126</sup> 0.15 hours × 44 SCI entities = 6.6 hours.

<sup>127</sup> 0.15 Attorney hour x \$412 = \$62.

<sup>128</sup> \$62 x 44 = \$2,728.

## j. Corrective Action Required by Rule 1002(a)

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

Rule 1002(a) requires each SCI entity, upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred, to begin to take appropriate corrective action. The Commission believes that Rule 1002(a) will likely result in SCI entities developing and revising their processes for corrective action. The Commission estimates that the initial recordkeeping burden to implement such a process will be 114 hours per new SCI entity, or 228 hours annually for all new SCI entities.<sup>129</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours.<sup>130</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (114 hours), or 456 hours annually for all such new SCI entities. **The Commission estimates that the total average initial burden for complying with Rule 1002(a), including the Infrastructure Rules, for all such SCI entities would be 741 hours.**

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden would be \$42,528 for each new SCI entity,<sup>131</sup> or \$85,056 annually for all such new SCI entities.<sup>132</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$21,264 for such competing consolidator. Four SCI competing consolidators would have the same costs as other new SCI entities (\$42,528), or \$170,112 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$276,432.

The Commission also estimates that the ongoing recordkeeping burden to review such process will be 39 hours annually per SCI entity, or 1,716 hours annually for all SCI entities.<sup>133</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they

<sup>129</sup> 114 hours × 2 new SCI entities = 228 hours.

<sup>130</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

<sup>131</sup> (32 Compliance Manager hours x \$307) + (32 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (10 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$42,528.

<sup>132</sup> \$42,528 x 2 = \$85,056.

<sup>133</sup> 39 hours × 44 SCI entities = 1,716 hours.

have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (39 hours each annually), or 195 hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(a), including the Infrastructure Rules, for all SCI entities would be 1,911 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$15,397 for each SCI entity,<sup>134</sup> or \$677,468 for all such SCI entities.<sup>135</sup> With respect to the Infrastructure Rules, the Commission notes that one of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$15,397 each), or on average, \$76,985 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, of for all SCI entities would be \$754,453.

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

Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes establishes recordkeeping burdens for all SCI entities.

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

The Commission estimates that each new SCI entity will initially require 114 hours to establish the criteria for identifying material systems changes, or 228 hours annually for all such SCI entities.<sup>136</sup> With respect to the Infrastructure Rule, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours.<sup>137</sup> Four SCI SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (114 hours), or 456 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities would be 741hours.

<sup>134</sup> (9 Compliance Manager hours x \$307) + (9 Attorney hours x \$412) + (3 Senior Systems Analyst hours x \$282) + (3 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$15,397.

<sup>135</sup> \$15,397 x 44 = \$677,468.

<sup>136</sup> 114 hours × 2 new SCI entities = 456 hours.

<sup>137</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$42,528 for each new SCI entity,<sup>138</sup> or \$85,056 annually for all such new SCI entities.<sup>139</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$21,264. Four SCI competing consolidators would have the same costs as other new SCI entities (\$42,528), or \$170,112 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$276,432.

The Commission estimates that each SCI entity will require approximately 27 hours annually to review and update the criteria, or, on average, 1,188 hours annually for all such SCI entities.<sup>140</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average ongoing burden as other SCI entities (27 hours each annually), or 135 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities 1,323 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$11,536 for each SCI entity,<sup>141</sup> or \$507,548 annually for all such SCI entities.<sup>142</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the ten SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$11,536 each), or on average, \$57,680 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$565,228.

Regulation SCI also requires SCI entities to identify certain types of events and systems. The Commission believes that the identification of critical SCI systems, major SCI events, and

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<sup>138</sup> (32 Compliance Manager hours x \$307) + (32 Attorney hours x \$412) + (10 Senior Systems Analyst hours x \$282) + (10 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$42,528.

<sup>139</sup> \$42,528 x 2 = \$85,056.

<sup>140</sup> 27 hours x 44 SCI entities = 1,188 hours.

<sup>141</sup> (4.5 Compliance Manager hours x \$307) + (4.5 Attorney hours x \$412) + (1.5 Senior Systems Analyst hours x \$282) + (1.5 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$11,536.

<sup>142</sup> \$11,536 x 44 = \$507,584.

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

The Commission estimates that each new SCI entity will require 198 hours initially to establish the criteria for identifying certain systems and events, or 396 hours annually for all such SCI entities.<sup>143</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 99 burden hours.<sup>144</sup> Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new SCI entities (198 hours), or 792 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Proposal, for all such SCI entities would be 1,287 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$69,706 for each new SCI entity,<sup>145</sup> or \$139,412 annually for all such new SCI entities.<sup>146</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator would have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which would be \$34,853. Four SCI competing consolidators would have the same costs as other new SCI entities (\$69,706), or \$278,824 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$453,089.

The Commission estimates that each SCI entity will require 39 hours annually to review and update such criteria, or, on average, 1,716 hours annually for all SCI entities.<sup>147</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five competing consolidators would have the same average ongoing burden as other SCI entities (39 hours each annually), or 195 hours annually for all such competing consolidators. The total average annual ongoing burden,

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<sup>143</sup> 198 hours × 2 new SCI entities = 396 hours.

<sup>144</sup> Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

<sup>145</sup> (64 Compliance Manager hours x \$307) + (64 Attorney hours x \$412) + (20 Senior Systems Analyst hours x \$282) + (20 Operations Specialist hours x \$135) + (20 Chief Compliance Officer hours x \$526) + (10 Director of Compliance hours x \$483) = \$69,706.

<sup>146</sup> \$69,706 x 2 = \$139,412.

<sup>147</sup> 39 hours × 44 SCI entities = 1,716 hours.

including the Infrastructure Rules, for all SCI entities would be 1,911 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$15,397 for each SCI entity,<sup>148</sup> or, on average, \$677,468 annually for all such SCI entities.<sup>149</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators would have the same average annual internal cost of compliance as other SCI entities (\$15,397 each), or on average, \$76,985 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$754,453.

**The Commission estimates that:**

- **The total average annual initial recordkeeping burden related to establishing criteria for identifying material systems changes, and certain systems and events, including the Infrastructure Rules, is 2,028 hours, and**
- **The total average annual ongoing recordkeeping burden related to establishing criteria for identifying material systems changes, and certain systems and events, including the Infrastructure Rules, is 3,234 hours.**

1. Recordkeeping Required by Rules 1005 and 1007

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

The Commission estimates that, for each new SCI entity other than an SCI SRO, setting up or modifying a recordkeeping system to comply with Rule 1005 will create an initial burden of 170 hours, or 170 hours annually for all new SCI entities other than SCI SROs.<sup>150</sup> With respect to the Infrastructure Rules, the Commission estimates that one competing consolidators that is currently an SRO or affiliated with an SRO would have 50% of the estimated initial burdens for a new non-SRO SCI entity, which will require an average of 85 burden hours.<sup>151</sup>

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<sup>148</sup> (9 Compliance Manager hours x \$307) + (9 Attorney hours x \$412) + (3 Senior Systems Analyst hours x \$282) + (3 Operations Specialist hours x \$135) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$15,397.

<sup>149</sup> \$15,397 x 44 = \$677,468.

<sup>150</sup> 170 hours × 1 new non-SRO SCI entities = 170 hours.

<sup>151</sup> Although one of the five SCI competing consolidators is an SRO or affiliated with an SRO, the Commission believes that this competing consolidator would have the same burdens as a non-SRO SCI entity for these particular ongoing burdens. Because the Commission is estimating a

Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new non-SRO SCI entities (170 hours), or 680 hours annually for all such new SCI entities. **The Commission estimates that the total average initial burden for complying with Rules 1005 and 1007, including the Infrastructure Rules, for all such SCI entities would be 935 hours.**

The Commission estimates that the annual internal cost of compliance associated with this initial recordkeeping burden would be \$11,730 for each new SCI entity that is not an SRO.<sup>152</sup> With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SROs or affiliated with an SRO would have 50% of the estimated initial burdens for a new non-SRO SCI entity, which would be \$5,865. Four SCI competing consolidators that are not already subject to Regulation SCI would have the same burdens as other new non-SRO SCI entities (\$11,730), or \$46,920 hours annually for all such new SCI entities. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$64,515.

The Commission also estimates that the burden to make, keep, and preserve records relating to compliance with Regulation SCI, as required by Rule 1005(b), will be approximately 25 hours annually per SCI entity that is not an SCI SRO. Therefore, the Commission estimates a total annual burden of 275 hours for all such SCI entities.<sup>153</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same burdens as non-SRO SCI entities (25 hours),<sup>154</sup> or 125 burden hours annually for all such competing consolidators. **The Commission estimates that the total average annual ongoing burden for complying with Rules 1005 and 1007, including the Infrastructure Rules, for all such SCI entities would be 400 hours.**

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden would be \$1,725 for each SCI entity that is not an SRO,<sup>155</sup> and, on average, \$18,975 annually for all such SCI entities.<sup>156</sup> With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators

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

<sup>152</sup> 170 Compliance Clerk hours x \$69 per hour = \$11,730.

<sup>153</sup> 25 hours × 11 non-SRO SCI entities = 275 hours.

<sup>154</sup> Although one of the five SCI competing consolidators is an SRO or affiliated with an SRO, the Commission believes that this competing consolidator would have the same burdens as a non-SRO SCI entity for these particular ongoing burdens.

<sup>155</sup> 25 Compliance Clerk hours x \$69 per hour = \$1,725.

<sup>156</sup> \$1,725 x 11 non-SRO SCI entities = \$18,975.



that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators would have the same average internal cost of compliance as non-SRO SCI entities, (\$1,725) or \$8,625 annually for all such competing consolidators. The total annual internal cost of compliance associated with this ongoing recordkeeping burden, including the Infrastructure Rules, for all such SCI entities would be \$27,600.

m. Summary of Hourly Burdens

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

<b>Nature of Information Collection Burden</b>	<b>Annualized Aggregate Hourly Burden Estimate</b>	<b>Annualized Internal Cost of Compliance Estimate</b>
Policies and procedures required by Rule 1001(a) – initial burden	4,511 (Recordkeeping)	\$1,512,382 (Recordkeeping)
Policies and procedures required by Rule 1001(a) – ongoing burden	11,368 (Recordkeeping)	\$3,816,022 (Recordkeeping)
Policies and procedures required by Rule 1001(b) – initial burden	1,755 (Recordkeeping)	\$660,270 (Recordkeeping)
Policies and procedures required by Rule 1001(b) – ongoing burden – SCI SRO	5,775 (Recordkeeping)	\$1,810,875 (Recordkeeping)
Policies and procedures required by Rule 1001(b) – ongoing burden – non-SRO SCI entity	1,520 (Recordkeeping)	\$501,680 (Recordkeeping)
Policies and procedures required by Rule 1001(c) – initial burden	741 (Recordkeeping)	\$276,432 (Recordkeeping)
Policies and procedures required by Rule 1001(c) – ongoing burden	1,911 (Recordkeeping)	\$ (Recordkeeping)
Mandate participation in certain testing required by Rule 1004 – initial burden	2,700 (Recordkeeping)	\$804,735 (Recordkeeping)

<b>Nature of Information Collection Burden</b>	<b>Annualized Aggregate Hourly Burden Estimate</b>	<b>Annualized Internal Cost of Compliance Estimate</b>
Mandate participation in certain testing required by Rule 1004—ongoing burden	6,615 (Recordkeeping)	\$1,760,325(Recordkeeping)
SCI event notice required by Rule 1002(b)(1)	392 (Reporting)	\$120,712 (Reporting)
SCI event notice required by Rule 1002(b)(2)	5,880 (Reporting)	\$1,937,215 (Reporting)
SCI event notice required by Rule 1002(b)(3)	515 (Reporting)	\$160,707.75 (Reporting)
SCI event notice required by Rule 1002(b)(4)	8,575 (Reporting)	\$2,992,185 (Reporting)
SCI event notice required by Rule 1002(b)(5)	7,840 (Reporting)	\$2,649,038 (Reporting)
Dissemination of information required by Rule 1002(c)(1)(i)	1,029 (Third Party Disclosure)	\$672,895 (Third Party Disclosure)
Dissemination of information required by Rule 1002(c)(1)(ii)	5,733 (Third Party Disclosure)	\$2,264,976 (Third Party Disclosure)
Dissemination of information required by Rule 1002(c)(2)	490 (Third Party Disclosure)	\$193,121 (Third Party Disclosure)
Material systems change notice required by Rule 1003(a)(1)	24,500 (Reporting)	\$7,317,170 (Reporting)
Material systems change notice required by Rule 1003(a)(2)	735 (Reporting)	\$232,946 (Reporting)
SCI review required by Rules 1003(b)(1) and (b)(2)	33,810 (Recordkeeping)	\$10,829,735 (Recordkeeping)
SCI review required by Rule 1003(b)(3)	49 (Reporting)	\$20,188 (Reporting)

<b>Nature of Information Collection Burden</b>	<b>Annualized Aggregate Hourly Burden Estimate</b>	<b>Annualized Internal Cost of Compliance Estimate</b>
Access to EFFFs – new entities	1.95 (Reporting)	\$806 (Reporting)
Access to EFFFs – existing entities	7.35 (Reporting)	\$3,038 (Reporting)
Corrective action required by Rule 1002(a) – initial burden	741 (Recordkeeping)	\$276,432 (Reporting)
Corrective action required by Rule 1002(a) – ongoing burden	1,911 (Recordkeeping)	\$754,453 (Reporting)
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – initial burden	2,028 (Recordkeeping)	\$729,521 (Recordkeeping)
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – ongoing burden	3,234 (Recordkeeping)	\$1,319,681 (Recordkeeping)
Recordkeeping required by Rules 1005 and 1007 – initial burden	935 (Recordkeeping)	\$64,515 (Recordkeeping)
Recordkeeping required by Rules 1005 and 1007 – ongoing burden	400 (Recordkeeping)	\$27,600 (Recordkeeping)

### **13. Costs to Respondents**

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

Rule 1001(a) imposes recordkeeping costs for SCI entities. In establishing, maintaining, and enforcing the policies and procedures required by Rule 1001(a), the Commission believes that each new SCI entity will seek outside legal and/or consulting services in the initial preparation of such policies and procedures. The total annualized recordkeeping cost of seeking outside legal and/or consulting services will be \$94,000 for all new SCI entities<sup>157</sup> (\$47,000 for

<sup>157</sup> See *supra* note 21.

the first year × 2 new SCI entities), or \$47,000 per new SCI entity. With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO would have 50% of the estimated annualized recordkeeping cost for a new SCI entity, which would be \$23,500.<sup>158</sup> Four SCI competing consolidators would have the same costs as other new SCI entities (\$47,000), or \$188,000 for all such new competing consolidators. **The total annualized recordkeeping cost, including the Infrastructure Rules, for all such SCI entities would be \$305,500.**

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

Rule 1001(b) imposes recordkeeping costs for SCI entities. In establishing, maintaining, and enforcing the policies and procedures required by Rule 1001(b), the Commission believes that each new SCI entity will seek outside legal and/or consulting services in the initial preparation of such policies and procedures. The total annualized cost of seeking outside legal and/or consulting services will be \$54,000 (\$27,000 for the first year × 2 new SCI entities), or \$27,000 per new SCI entity. With respect to the Infrastructure Rules, the Commission estimates that one competing consolidator that is currently an SRO or affiliated with an SRO would have 50% of the estimated annualized cost for a new SCI entity, which would be \$13,500. Four competing consolidators would have the same costs as other new SCI entities (\$27,000), or \$108,000 for all such new competing consolidators.<sup>159</sup> **The total annualized recordkeeping cost, including the Infrastructure Rules, for all such SCI entities would be \$175,500.**

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

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

d. Mandate Participation in Certain Testing Required by Rule 1004

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

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

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<sup>158</sup> Because the Commission is estimating a lower initial cost for this subset of SCI entities than for other new SCI entities, the cost per respondent will reflect an average of the cost estimates for all respondents.

<sup>159</sup> Because the Commission is estimating a lower initial cost for this subset of SCI entities than for other new SCI entities, the cost per respondent will reflect an average of the cost estimates for all respondents.

Rule 1002(b) imposes reporting costs for SCI entities. The Commission estimates that while SCI entities will handle internally most of the work associated with Rule 1002(b), SCI entities will seek outside legal advice in the preparation of certain Commission notifications. The total annual reporting cost of seeking outside legal advice will be \$255,200 for all SCI entities ( $\$5,800 \times 44$  SCI entities). Because Rule 1002(b) will impose approximately 21 reporting requirements per SCI entity per year, each requirement will require an average of \$276.19.<sup>160</sup> With respect to the Infrastructure Rules, the total annual reporting cost of seeking outside legal advice for five of the seven SCI competing consolidators will be \$29,000 ( $\$5,800 \times 5$  competing consolidators).<sup>161</sup> The total annual reporting cost, including the Infrastructure Proposal, for all SCI entities would be \$284,200.

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

- **SCI event notice required by Rule 1002(b)(1): \$67,667;**
- **SCI event notice required by Rule 1002(b)(2): \$67,667;**
- **SCI event notice required by Rule 1002(b)(3): \$27,067;**
- **SCI event notice required by Rule 1002(b)(4): \$67,667; and**
- **SCI event notice required by Rule 1002(b)(5): \$54,133.**

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

Rule 1002(c) imposes third party disclosure costs for SCI entities. The Commission believes SCI entities will seek outside legal advice in the preparation of the information dissemination under Rule 1002(c). The total annual third party disclosure cost of seeking outside legal advice will be \$146,080 ( $\$3,320$  per SCI entity per year  $\times$  44 SCI entities). Because Rule 1002(c) will impose approximately 13 third party disclosure requirements per SCI entity per year, each requirement will require an average of \$255.38.<sup>162</sup> With respect to the Infrastructure Rules, the total annual reporting cost of seeking outside legal advice for five of the seven competing consolidators will be \$16,600 ( $\$3,320 \times 5$  SCI competing consolidators).<sup>163</sup> The total

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<sup>160</sup>  $\$5,800$  per SCI entity  $\div$  21 requirements = \$276.19 per requirement per SCI entity.

<sup>161</sup> As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

<sup>162</sup>  $\$3,320$  per SCI entity  $\div$  13 requirements = \$255.38 per requirement per SCI entity.

<sup>163</sup> As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

annual reporting cost, including the Infrastructure Proposal, for all SCI entities would be approximately \$162,680.

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

- **Dissemination of information required by Rule 1002(c)(1)(i): \$37,541;**
- **Dissemination of information required by Rule 1002(c)(1)(ii): \$112,623; and**
- **Dissemination of information required by Rule 1002(c)(2)(2): \$12,513.**

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

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

h. SCI Review Required by Rule 1003(b)

Rule 1003(b) imposes recordkeeping costs for SCI entities. The Commission estimates that while SCI entities will handle internally some or most of the work associated with compliance with Rule 1003(b), SCI entities will outsource some of the work associated with an SCI review. The total annual recordkeeping cost of outsourcing will be \$2,200,000 (\$50,000 × 44 SCI entities). With respect to the Infrastructure Rules, the total annual recordkeeping cost of outsourcing for five of the seven competing consolidators will be \$250,000 (\$50,000 × 5 SCI competing consolidators).<sup>164</sup> **The total annual recordkeeping cost, including the Infrastructure Rules, for all SCI entities would be \$2,450,000.**

i. Access to EDFS

As noted above, Rule 1006 requires each SCI entity, with a few exceptions, to file any notification, review, description, analysis, or report to the Commission required under Regulation SCI electronically on Form SCI. Obtaining the ability for an individual to electronically sign a Form SCI imposes reporting costs for SCI entities. The Commission estimates that each SCI entity will designate two individuals to sign Form SCI each year, and each such individual must obtain a digital ID at the cost of approximately \$25 each year. Therefore, each SCI entity will require \$50 annually to obtain digital IDs,<sup>165</sup> or \$2,200 for all

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<sup>164</sup> As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

<sup>165</sup> \$25 per digital ID × 2 individuals = \$50.

SCI entities.<sup>166</sup> With respect to the Infrastructure Rules, the Commission estimates that the total cost annually to obtain digital IDs for five of the seven SCI competing consolidators would be \$250.<sup>167</sup> **The total annual cost, including the Infrastructure Proposal, for all SCI entities would be \$2,450.**

j. Corrective Action Required by Rule 1002(a)

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

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

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

l. Recordkeeping Required by Rules 1005 and 1007

The recordkeeping requirements impose recordkeeping costs for SCI entities other than SCI SROs. The Commission estimates that a new SCI entity other than an SCI SRO will incur a one-time recordkeeping cost of \$900 to set up or modify an existing recordkeeping system to comply with the recordkeeping requirements.<sup>168</sup> In addition, with respect to the Infrastructure Rules, the Commission estimates that five of the seven SCI competing consolidators would have the same recordkeeping cost as non-SRO SCI entities, (\$900) or \$4,500 annually for all such competing consolidators.<sup>169</sup> **The total recordkeeping cost, including the Infrastructure Rules, would be \$5,400 for all SCI entities.**

m. Summary of Cost Burdens

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

Nature of Information Collection Burden	Burden Estimate in Dollars
Policies and procedures required by Rule 1001(a)	\$305,500 (Recordkeeping)

<sup>166</sup> \$50 per SCI entity × 44 SCI entities = \$2,200.

<sup>167</sup> As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

<sup>168</sup> See supra note **Error! Bookmark not defined.** (estimating 1 new non-SRO SCI entity per year).

<sup>169</sup> See supra note 154.

Nature of Information Collection Burden	Burden Estimate in Dollars
Policies and procedures required by Rule 1001(b)	\$175,500 (Recordkeeping)
Mandate participation in certain testing required by Rule 1004	\$108,000 (Recordkeeping)
SCI event notice required by Rule 1002(b) - This requirement is broken out into the following individual ICs: Paragraph (b)(1): Paragraph (b)(2): Paragraph (b)(3): Paragraph (b)(4): Paragraph (b)(5):	\$284,200 (Sum Total) (Reporting)  \$67,667 \$67,667 \$27,067 \$67,667 \$54,133
Dissemination of information required by Rule 1002(c) - This requirement is broken out into the following ICs: Paragraph (c)(1)(i): Paragraph (c)(1)(ii): Paragraph (c)(2):	\$162,680 (Sum Total) (Third Party Disclosure)  \$37,541 \$112,623 \$12,513
SCI review required by Rules 1003(b)(1) and (b)(2)	\$2,450,000 (Recordkeeping)
Access to EFFF	\$2,450 (Reporting)
Recordkeeping required by Rules 1005 and 1007 – initial burden	\$5,400 (Recordkeeping)

#### 14. Costs to Federal Government

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



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

## 15. Changes in Burden

The estimated burdens have been adjusted to reflect a new category of SCI entities, SCI competing consolidators, as proposed and adopted through the Infrastructure Rules. As described above, the Commission's estimate of the number of competing consolidators that will be subject to Regulation SCI has been reduced from the Infrastructure Proposal and, therefore, the burden estimates have been reduced from the Infrastructure Proposal to the adoption of the Infrastructure Rules. As such, the chart below reflects both the estimates from the Infrastructure Proposal and the final Infrastructure Rules.

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

Name of Information Collection	Annual Industry Burden Hours or Cost (Proposal)	Annual Industry Burden Hours or Cost (Final Rule)	Annual Industry Burden Hours or Cost Previously Approved (2018 Extension)	Change in Burden Hours or Cost (Previously Approved vs. Proposal)	Change in Burden Hours or Cost (Previously Approved vs. Final Rule)	Reason for Change
Policies and procedures required by Rule 1001(a) – initial burden	6,940/ \$470,000	4,511/ \$305,500	1,388/ \$94,000	5,552/ \$376,000	3,123/ \$211,500	Amendment to the rule
Policies and procedures required by Rule 1001(a) – ongoing burden	12,528	11,368	10,208	2,320	1,160	Amendment to the rule
Policies and procedures required by Rule 1001(b) – initial burden	2,700/ \$270,000	1,755/ \$175,500	540/ \$54,000	2,160/ \$216,000	1,215/ \$121,500	Amendment to the rule
Policies and procedures required by	5,775		5,775	0	0	

Rule 1001(b) – ongoing burden – SCI SRO		5,775				
Policies and procedures required by Rule 1001(b) – ongoing burden – non-SCI SRO entity	1,995	1,520	1,045	950	475	Amendment to the rule
Policies and procedures required by Rule 1001(c) – initial burden	1,140	741	228	912	513	Amendment to the rule
Policies and procedures required by Rule 1001(c) – ongoing burden	2,106	1,911	1,716	390	195	Amendment to the rule
Mandate participation in certain testing required by Rule 1004 – initial burden	3,960	2,700	720	3,240	1,980	=Amendment to the rule
Mandate participation in certain testing required by Rule 1004– ongoing burden	7,290/ \$108,000	6,615/ \$108,000	5,670/ \$108,000	1,620/ \$0	945/ \$0	Amendment to the rule
SCI event notice required by	432/ \$313,200 <sup>170</sup>	392/	352/ \$255,200	80/ \$58,000	40/ \$29,000	Amendment to the rule

<sup>170</sup> This estimate reflects the total reporting costs for complying with all of Rule 1002(b), including subparagraphs (b)(1) through (b)(5).

Rule 1002(b)(1)		\$284,200 <sup>171</sup>				
SCI event notice required by Rule 1002(b)(2)	6,480	5,880	5,280	1,200	600	Amendment to the rule
SCI event notice required by Rule 1002(b)(3)	567	514.5	462	105	52.5	Amendment to the rule
SCI event notice required by Rule 1002(b)(4)	9,450	8,575	7,700	1,750	875	Amendment to the rule
SCI event notice required by Rule 1002(b)(5)	8,640	7,840	7,040	1,600	800	Amendment to the rule
Dissemination of information required by Rule 1002(c)(1)(i)	1,134/ \$179,280 <sup>172</sup>	1,029 \$162,680 <sup>173</sup>	924/ \$146,080	210/ \$33,200	105/ \$129,480	Amendment to the rule
Dissemination of information required by Rule 1002(c)(1)(ii)	6,318	5,733	5,148	1,170	585	Amendment to the rule
Dissemination of information required by Rule 1002(c)(2)	540	490	440	100	50	Amendment to the rule

<sup>171</sup> This estimate reflects the total reporting costs for complying with all of Rule 1002(b), including subparagraphs (b)(1) through (b)(5).

<sup>172</sup> This estimate reflects the total reporting costs for complying with all of Rule 1002(c), including subparagraphs (c)(1) through (c)(2).

<sup>173</sup> This estimate reflects the total reporting costs for complying with all of Rule 1002(c), including subparagraphs (c)(1) through (c)(2).

Material systems change notice required by Rule 1003(a)(1)	27,000	24,500	22,000	5,000	2,500	Amendment to the rule
Material systems change notice required by Rule 1003(a)(2)	810	735	660	150	75	Amendment to the rule
SCI review required by Rules 1003(b)(1) and (b)(2)	37,260/ \$2,700,000	33,810/ \$2,450,000	30,360/ \$2,200,000	6,900/ \$500,000	3,450/ \$250,000	Amendment to the rule
SCI review required by Rule 1003(b)(3)	54	49	44	10	5	Amendment to the rule
Access to EFFF – new entities	3	1.95	0.6	2.4	1.35	Amendment to the rule
Access to EFFF – existing entities	8.1/ \$2,700	7.35/ \$2,450	6.6/ \$2,200	1.5/ \$500	0.75/ \$250	Amendment to the rule
Corrective action required by Rule 1002(a) – initial burden	1,140	741	228	912	513	Amendment to the rule
Corrective action required by Rule 1002(a) – ongoing burden	2,106	1,911	1,716	390	195	Amendment to the rule
Identification of critical SCI systems, major SCI events, de	3,120	2,028	624	2,496	1,404	Amendment to the rule

minimis SCI events, and material systems changes – initial burden						
Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – ongoing burden	3,564	3,234	2,904	660	330	Amendment to the rule
Recordkeeping required by Rules 1005 and 1007 – initial burden	1,539/ \$11,700	935/ \$5,400	275 \$90	1,264/ \$11,610	660/ \$5,310	Amendment to the rule
Recordkeeping required by Rules 1005 and 1007 – ongoing burden	575	400	170	405	230	Amendment to the rule

## 16. Information Collections Planned for Statistical Purposes

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

## 17. Approval to Omit OMB Expiration Date

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

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

This collection complies with the requirements in 5 CFR 1320.9.

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

This collection does not involve statistical methods.