

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 10c-1 -- Reporting of Securities Loans**  
**New Information Collection Request**

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

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Section 984(a) of the Dodd Frank Act,<sup>1</sup> now Section 10(c)(1) of the Securities Exchange Act of 1934 (“Exchange Act”), provides the statutory authority for the Securities and Exchange Commission (“Commission” or “SEC”) to prescribe rules and regulations regarding transactions involving the loan or borrowing of securities, as necessary and appropriate in the public interest or for the protection of investors. Section 984(b) of the Dodd Frank Act directed the Commission to promulgate rules designed to increase the transparency of information available to brokers, dealers, and investors, with respect to the loan or borrowing of securities.

Currently parties to securities lending transactions are not required to report the material terms of their transactions. The lack of public information regarding securities lending transactions creates inefficiencies in the securities lending market. The gaps in securities lending data render it difficult for borrowers and lenders alike to ascertain market conditions and to know whether the terms that they receive are consistent with market conditions. These gaps also impact the ability of the Commission, other self-regulatory organizations (“SROs”), a registered national securities association (“RNSA”) and other Federal financial regulators (collectively “regulators”) to oversee transactions that are vital to fair, orderly, and efficient markets.

The Commission has proposed Rule 10c-1<sup>2</sup> which is designed to increase the transparency and efficiency of the securities lending market by requiring any person that loans a security, on behalf of itself or another person, to report the material terms of their securities lending transactions and related information regarding the securities the person has on loan and available to loan to an RNSA (“10c-1 information”). The proposed Rule provides that the RNSA will make most of the 10c-1 information publicly available.

Certain provisions of proposed Rule 10c-1 impose “collection of information” requirements within the meaning of the Paperwork Reduction of 1995 (“PRA”). The title for the new information collection is “Material Terms of Securities Lending Transactions.”

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<sup>1</sup> Pub. L. 111-203, 984(a) and (b), 124 Stat. 1376 (2010).

<sup>2</sup> See Reporting of Securities Loans, Exchange Act Release No. 93613 (Nov. 18, 2021), 86 FR 69802 (Dec. 8, 2021).

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

As discussed in the release proposing Rule 10c-1, the information available on securities lending transactions is spotty and incomplete.<sup>3</sup> The information collections are necessary to remediate these issues by giving market participants and regulators unrestricted and free access to material information regarding securities lending transactions.<sup>4</sup> The data elements provided to an RNSA under proposed Rule 10c-1 are also designed to provide the RNSA with data that might be used for in-depth monitoring and surveillance. Further, the data elements are designed to provide regulators with information to understand: whether market participants are building up risk; the strategies that broker-dealers use to source securities that are lent to their customers; and the loans that broker-dealers provide to their customers with fail to deliver positions.<sup>5</sup>

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

The rule proposal anticipates the use of information technology to lessen the burden of collecting, disseminating and storing the 10c-1 information that would be reported under the proposed Rule. The Commission anticipates that many of the entities that would be reporting under the proposed Rule will already have connectivity to the RNSA that would be collecting the 10c-1 information.<sup>6</sup> The proposed Rule provides options for reporting that would provide flexibilities and efficiencies in reporting.<sup>7</sup> The Commission further notes that it does not prohibit the persons reporting 10c-1 information from using any kind of information technology to facilitate the collection and/or preparation of the information required to be reported by the proposed Rule. The Commission believes that improvements in data processing technology may also reduce any burdens that result from proposed Rule 10c-1.

## **4. Duplication**

The proposed rule would not result in, or require the collection of, duplicate information that is otherwise available in a similar form. The Commission has not directly addressed the provision of the material terms of securities lending transactions for purposes of the Federal securities laws.<sup>8</sup>

In order to limit duplication of transaction reporting, the Commission proposes to limit the obligation to provide the specified material terms to an RNSA only to the Lender to avoid the potential double counting of transactions that could arise if proposed Rule 10c-1 required both sides of the securities lending transaction to provide the material terms.<sup>9</sup> Entities such as investment companies, broker-dealers, and banks, which engage in securities lending transactions, typically tend to be larger institutions because of the scale necessary to make the

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<sup>3</sup> See Reporting of Securities Loans, 86 FR 69802, 69804 (Dec. 8, 2021).

<sup>4</sup> *Id.* at 69821-22.

<sup>5</sup> *Id.* at 69821.

<sup>6</sup> *Id.* at 69808-09.

<sup>7</sup> *Id.* at 69824.

<sup>8</sup> *Id.* at 69821-22.

<sup>9</sup> *Id.* at 69807.

lending of securities cost-effective.<sup>10</sup> To the extent that smaller entities engage in securities lending, they generally employ lending agents, which would relieve these smaller lending entities from having to provide the 10c-1 information to the RNSA.<sup>11</sup> Accordingly, the Commission preliminarily believes that requiring only the Lender to provide the 10c-1 information will alleviate the potential for the double counting of transactions and will also limit the burdens of proposed Rule 10c-1 to larger institutions.<sup>12</sup>

## 5. Effect on Small Entities

Based on a review of data, the Commission does not believe that any of the persons that would be impacted by the proposed Rule are small entities under the relevant definitions. Also, as noted in Item 4 above, the Commission has proposed reporting options that limit the reporting burdens for small entities.<sup>13</sup> It is possible that in the future a small entity may become impacted by the Rule. Based on experience with persons who participate in this market, however, the Commission preliminarily believes that this scenario will be unlikely since firms that enter the market are unlikely to meet the small entity criteria. Details of the Commission's analysis are set forth below.

The Commission preliminarily believes that proposed Rule 10c-1 would impact 94 reporting agents. The Commission estimates that all reporting agents would be broker-dealers. A broker-dealer is a small entity if it has total capital (net worth plus subordinated liabilities) of less than \$500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared pursuant to 17 CFR 240.17a-5(d), and it is not affiliated with any person (other than a natural person) that is not a small business or small organization.<sup>14</sup> Second, the Commission preliminarily believes that the proposed Rule would impact 278 investment companies that do not employ a lending agent. For purposes of Commission rulemaking in connection with the Regulatory Flexibility Act, an investment company is a small entity if, together with other investment companies in the same group of related investment companies, it has net assets of \$50 million or less as of the end of its most recent fiscal year.<sup>15</sup> Third, the Commission preliminarily believes that the proposed Rule would impact 37 lending agents, which would include broker-dealers and banks.<sup>16</sup> For purposes of Commission rulemaking in connection with the Regulatory Flexibility Act, lending agents that are not broker-dealers, such as a bank, would be a small entity if on the last day of its most recent fiscal year, such entity or person had total assets of \$5 million or less.<sup>17</sup> Furthermore, clearing agencies could also be lending agents for purposes of proposed Rule 10c-1. A clearing agency is a "small entity" if such clearing agency: (i) Compared, cleared, and settled less than \$500 million in securities transactions during the preceding fiscal year, (ii) had less than \$200 million of funds and securities in its custody or control at all times during the preceding fiscal year (or at any time that it has been in business, if

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<sup>10</sup> *Id.* at 69808 fn.69.

<sup>11</sup> *Id.* at 69808.

<sup>12</sup> *Id.* at 69807-08.

<sup>13</sup> *Id.*

<sup>14</sup> Exchange Act Rule 0-10(c).

<sup>15</sup> See 17 CFR 270.0-10(a).

<sup>16</sup> For example, some investment companies report using a bank as a lending agent on Form N-CEN.

<sup>17</sup> See 17 CFR 240.0-10(a).

shorter), and (iii) is not affiliated with any person (other than a natural person) that is not a small business or small organization.<sup>18</sup>

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

The securities lending market is opaque.<sup>19</sup> The U.S. securities lending market has a general lack of information available to its market participants, the public, and regulators. The lack of public information and data gaps creates inefficiencies in the securities lending market. The gaps in securities lending data render it difficult for borrowers and lenders alike to ascertain market conditions and to know whether the terms that they receive are consistent with market conditions. These gaps also impact the ability of the Commission and other regulators to oversee transactions that are vital to fair, orderly, and efficient markets.

To supplement the publicly available information involving securities lending, close the data gaps in this market, and minimize information asymmetries between market participants, proposed Rule 10c-1 is designed to provide investors and other market participants with access to pricing and other material information regarding securities lending transactions in a timely manner. For example, the Commission preliminarily believes that the data collected and made available by the proposed Rule would improve price discovery in the securities lending market and lead to a reduction of the information asymmetry faced by end borrowers and beneficial owners in that market. Enhancing the transparency of data on securities lending transactions should provide more information to help illuminate investor behavior in the securities lending market and the broader securities market more generally. It would also provide beneficial owners and borrowers with better tools to ascertain current market conditions for securities loans and allow them to determine whether the terms that they receive for their loans are consistent with market conditions.

The proposed Rule would provide timely access to granular information about certain material terms of securities lending transactions would allow investors, including borrowers and lenders, to evaluate not only the rates for such transactions, but also any signals that rates provide. Increasing the accessibility of data could lower barriers to entry for would-be participants in the securities lending market as well as the securities markets more broadly because all market participants, not just counterparties to a trade or those that subscribe to certain services, would be able to view and analyze transactions that are taking place in the securities lending market. As a result, the disclosure of the specified material terms of securities lending transactions might improve the efficiency and resiliency of the securities market by reducing frictions in the cost of borrowing securities, which may also have positive effects on the markets for the securities themselves. Additional benefits from increased transparency could include increased savings and profits for investors, improved terms for beneficial owners participating in lending programs, and improved competitiveness in the lending agent and broker-dealer businesses.

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<sup>18</sup> See 17 CFR 240.0-10(d).

<sup>19</sup> See Reporting of Securities Loans, 86 FR 69802, 69803 (Dec. 8, 2021).

The timeliness of reporting and granularity of the information that would be reported under the proposed Rule are key components of the anticipated benefits the proposed Rule would provide to investors and the market.

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

As noted above, the timeliness of reporting of 10c-1 information and public availability of most of that information are key to the proposed Rule's design to provide additional transparency in the securities lending market. The proposed Rule establishing this information collection would require that certain material terms of securities lending transactions be reported to the RNSA more frequently than quarterly, specifically within the fifteen minutes after the securities loan is effected or the terms of the loan are modified, as applicable. The proposed Rule would require the RNSA to subsequently disclose certain of those data elements as soon as practicable. Certain other information, as specified under paragraph (e) of the proposed Rule, would be required to be reported to the RNSA by the end of each business day. For the paragraph (e) information that would be required to be made publicly available under the terms of the proposed Rule, the RNSA would be required to make that information available as soon as practicable, but not later than the next business day after it received the information.

Also as noted above, the availability of the information that would be collected under the proposed Rule is another of the key components to providing additional transparency in the securities lending market for investors, market participants, and regulators. There are two sections of the proposed Rule that would require the RNSA to retain certain records for more than three years.

The Commission preliminarily believes that requiring the RNSA to retain records for five years is consistent with other retention obligations of records that Exchange Act rules impose on an RNSA. For example, 17 CFR 240.17a-1, Exchange Act Rule 17a-1, requires RNSAs to keep documents for a period of not less than five years. Similarly, 17 CFR 242.613(e)(8), Rule 613(e)(8) of Regulation NMS, on which the retention period for proposed Rule 10c-1 is modeled, requires the central repository to retain information in a convenient and usable standard electronic data format that is directly available and searchable electronically without any manual intervention for a period of not less than five years. Rule 10c-1(g)(1) would be using a standard for storage that is similar to Rule 613(e)(8). The standard sets forth the criteria for how information must be stored but does not specify any particular technological means of storing such information, which should provide flexibility to the RNSA to adapt to technological changes that develop in the future. As with Exchange Act Rule 17a-1, the retention period is intended to facilitate implementation of the broad inspection authority given the Commission in Section 17(a) of the Exchange Act. The Commission preliminarily believes that including a retention period that is consistent with other rules applicable to RNSAs would reduce the burden for an RNSA to comply with the retention requirements in proposed Rule 10c-1 because the RNSA will have developed experience and controls around administering record retention programs that are similar to the requirements of proposed Rule 10c-1(g)(1).

The Commission preliminarily believes that five years is the appropriate length of time for the RNSA to make information available to the public, because such a time period will provide broker-dealers and investors with an opportunity to identify trends occurring in the market and in individual securities based on changes to the material terms of securities lending transactions.

Section 10c-1(g)(1) of the proposed Rule would require that an RNSA retain, for a period of five years, the information collected pursuant to paragraphs (b) through (e) of proposed Rule in a convenient and usable standard electronic data format that is machine readable and text searchable without any manual intervention.

Section 10c-1(g)(3) of the proposed Rule would require the RNSA to provide the information collected under paragraphs (b) and (c) of the rule and the aggregate of the information provided pursuant to paragraph (e) of the rule to the public without charge and without use restrictions, for at least a five-year period.

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

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

The Commission has issued a release soliciting comment on the new “collection of information” requirements and associated paperwork burdens.<sup>20</sup> A copy of the release is attached. Comments on Commission releases are generally received from industry groups, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings and informal exchanges. Any comments received on this proposed rulemaking will be posted on the Commission’s public website, and made available through <http://www.sec.gov/rules/proposed.shtml>. The Commission will consider all comments received prior to publishing the final rule, and will explain in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

## **9. Payment or Gift**

No payment or gift is provided to respondents.

## **10. Confidentiality**

The proposed Rule provides that certain material terms that would be reported to the RNSA, such as the legal names of the parties to the securities lending transactions, will not be made public and will be kept confidential. The proposed Rule sets out the confidential data elements in sections (d)(1) through (d)(3) and section (e)(3).<sup>21</sup> These sections do not permit the RNSA to make the listed data elements public. The Commission is also proposing rule section 10c-1(g)(4), which would require the RNSA to establish, maintain, and enforce reasonably designed written policies and procedures to maintain the security and confidentiality of the confidential information required by paragraphs (d) and (e)(3).<sup>22</sup> To the extent that the Commission does receive confidential information pursuant to this collection of information, such information will be kept confidential, subject to the provisions of applicable law.

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<sup>20</sup> *Id.* at 69829.

<sup>21</sup> *Id.* at 69852.

<sup>22</sup> *Id.* at 69853.

## **11. Sensitive Questions**

No information of a sensitive nature would be required under the collections of information. The information collections do not expressly include personally identifiable information (“PII”) as part of the data to be collected. The proposed Rule would require that the legal name of each party to a securities lending transaction to be reported as a material term to the transaction. If an individual is a party to a securities lending transaction their legal name would be reported to the RNSA, but would not be made public. No Social Security numbers would be collected. The agency has determined that a system of records notice (“SORN”) and privacy impact assessment (“PIA”) are not required in connection with the collections of information.

The collections of information do not expressly include PII. At the same time, however, Commission staff understands that there may be instances when certain information (including, but not limited to, a person’s name, email, or phone number) could be provided by a respondent in response to one of the collections of information. The Commission staff does not envision any circumstance in which a social security number would be provided pursuant to any of the collections of information.

## 12. Burden of Information Collection

We estimated the hourly burden of the information collection as summarized in the chart below.

Summary of Hourly Burdens									
		A.	B.	C.	D.	E.	F.	G.	
Proposed Rule 10c-1 Information Collections	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Industry Burden
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]
Providing Lending Agents: Systems Development and Monitoring	Third Party Disclosure	3	1	3,600	1,200	1,350	2,550	2,550	7,650
Non-providing Lending Agents: Systems Development and Monitoring	Third Party Disclosure	34	1	1,800	600	675	1,275	1,275	43,350
Non-providing Lending Agents: Entering into Written Agreement with Reporting Agent	Third Party Disclosure	34	1	30	10	0	10	10	340
Reporting Agents: Systems Development and Monitoring	Third Party Disclosure	94	1	3,600	1,200	1,350	2,550	2,550	239,700
Reporting Agents: Entering into Written Agreements with Persons who Provide 10c-1 Information	Third Party Disclosure	94	1	30	10	0	10	10	940
Reporting Agents: Entering into Written Agreement with RNSA	Third Party Disclosure	94	1	1	0.33	0	0.33	0.33	31
Reporting Agents: Preserve 10c-1 Information at Least 3 Years	Recordkeeping	94	52	0	0	1	1	52	4,888
Lenders not Employing a Lending Agent – Self-Providing Lenders: Systems Development and Monitoring	Third Party Disclosure	139	1	3,600	1,200	1,350	2,550	2,550	354,450
Lenders Directly Employing a Reporting Agent: Systems Development and Monitoring	Third Party Disclosure	139	1	1,800	600	675	1,275	1,275	177,225
Lenders Directly Employing a Reporting Agent: Entering into a Written Agreement with a Reporting Agent	Third Party Disclosure	139	1	30	10	0	10	10	1,390
RNSA Collection of Information from Lenders and Providing Information to the Public and the Commission: Implement and maintain infrastructure for Lenders to report information to the RNSA	Third Party Disclosure	1	1	10,924	3,641	7,739.50	11,380.50	11,380.50	11,380.50
RNSA Retention of Collected Information	Recordkeeping	1	1	0	0	52	52	52	52
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>									<b>841,396.50</b>



As described in detail below, the information collection burdens in proposed Rule 10c-1 are directly related to either: (1) Lenders capturing data elements that would be required by the proposed rule and providing that information to an RNSA; or (2) an RNSA collecting the 10c-1 information and subsequently making certain specified portions of that information publicly available. Given the differences in the information collections applicable to these parties, the burdens applicable to Lenders are separated from those applicable to an RNSA in the analysis below.

For purposes of PRA calculations, the initial hourly burden per entity per response is “annualized,” *i.e.* spread over 3 years. In contrast, the ongoing hourly burden per entity per response is calculated as an annual amount. The figures are summarized in the chart of hourly burdens.

### **Information Collections Applicable to Lenders**

Proposed Rule 10c-1 would apply to all Lenders.<sup>23</sup> Proposed Rule 10c-1 would require that the data elements in paragraphs (b) through (e) be provided to an RNSA within a specified time period. Paragraphs (b) through (d) contain loan-level data elements. Paragraph (e) contains data elements that would require the enumeration of total amount of each specific security available to loan and on loan.

To reduce double counting of securities lending transactions and reduce the burden on Lenders, proposed Rule 10c-1 would provide a hierarchy of who is responsible for providing information to an RNSA.<sup>24</sup> First, although the proposed Rule would place an obligation on each person that loans a security on behalf of itself or another person to provide information to an RNSA, if the Lender is using a lending agent, such lending agent would have the obligation to provide the 10c-1 information to an RNSA on behalf of the lender. Second, persons with a reporting obligation, including a lending agent, may enter into a written agreement with a reporting agent who would report the 10c-1 information to the RNSA. Finally, Lenders would be required to provide the RNSA directly with the 10c-1 information if the Lender is loaning its securities without a lending agent or reporting agent.

Paragraph (a)(2) of the proposed Rule would require that reporting agents also enter into a written agreement with the RNSA. Such written agreements would include terms that permit the reporting agent to provide 10c-1 information on behalf of another person. Reporting agents would also be required to provide the RNSA with a list of each person and lending agent on whose behalf the reporting agent is providing 10c-1 information to the RNSA.

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<sup>23</sup> The term “Lender,” for purposes of the proposing Release for Rule 10c-1, refers to any person that loans a security on behalf of itself or another person, including persons that own the securities being loaned (“beneficial owners”), as well as third party intermediaries, including banks, clearing agencies, or broker-dealers that intermediate the loan of securities on behalf of beneficial owners (“lending agents”). *See* Reporting of Securities Loans, 86 FR 69802, 69803 fn.9 (Dec. 8, 2021).

<sup>24</sup> *Id.* at 69822.

For the purpose of organizing this analysis, the Commission has separated Lenders into three categories based on who would be actually providing the required data elements to the RNSA. These categories are (1) lending agents, (2) reporting agents, and (3) Lenders that would not employ a lending agent. The Commission preliminarily believes that Lenders that employ a lending agent would not be subject to any burdens because they would not be responsible for providing information to an RNSA.

### **Lending Agents**

Under proposed Rule 10c-1(a)(1), lending agents would be required to provide 10c-1 information to an RNSA (a “providing lending agent”) or enter into a written agreement with a reporting agent who would provide information to an RNSA (a “non-providing lending agent”). In both cases, lending agents would face information collection burdens to comply with the proposed Rule. The burdens that lending agents would incur are third party disclosure burdens. The Commission estimates that there would be 37 lending agents.<sup>25</sup> This estimate is based on a review of N-CEN reports filed with the Commission that identify the lending agents used by investment companies. Of these 37 lending agents, the Commission estimates that 3 would provide the 10c-1 information directly to an RNSA (“providing lending agents”) and 34 (“non-providing lending agents”) would provide the 10c-1 information to a reporting agent.

### **Providing Lending Agents: Systems Development and Monitoring**

#### **Initial Burden**

The estimated three providing lending agents would incur initial burden to develop and reconfigure their current systems to capture the required data elements. Providing lending agents would also be subject to initial burden to establish connections that would allow them to provide the information to an RNSA. The Commission preliminarily believes that the burden for this requirement is similar to that of establishing the appropriate systems and processes required for collection and transmission of the required information under Exchange Act Rule 613 (commonly referred to as the “Consolidated Audit Trail” or the “CAT”)<sup>26</sup> because of the general similarity between the systems established under that rule and the systems that would be required to be established under proposed Rule 10c-1.<sup>27</sup> While similar enough to use as the basis for the estimate, the Commission preliminarily believes that systems that comply with proposed Rule 10c-1 will be significantly less complex than those required by the CAT because they will need to capture less information overall. Despite this difference, for the purposes of this analysis, out

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<sup>25</sup> As a preliminary matter, the opacity of the securities lending market makes estimating the number of respondents difficult. Indeed, one of the objectives of proposed Rule 10c-1 is to close the data gaps in this market. Despite these data gaps the Commission has made estimates of the number of Lenders in each category.

<sup>26</sup> 17 CFR 242.613.

<sup>27</sup> See National Market System Plan Governing the Consolidated Audit Trail, Exchange Act Release No. 79318 (Nov. 15, 2016), 81 FR 84696, 84921 (Nov. 23, 2016) (“CAT Approval Order”). Both the CAT and proposed Rule 10c-1 would require the provision of trade information to a third party information repository. The burden estimates in the CAT Approval Order are based on a study of cost estimate calculations. See *id.* at 84857 (describing overview and methodology of the study).

of an abundance of caution, the Commission is using certain specific estimates of internal burden from the CAT Approval Order, as detailed below. Unlike the burden in the CAT Approval Order, however, the Commission preliminarily believes that each party that would face PRA burdens under proposed Rule 10c-1 will have internal staff that can handle this task. More specifically, the Commission is basing its estimates for systems development and monitoring on the burdens applicable to non-OATS reporters under the CAT.<sup>28</sup> The Commission chose this estimate because of the factors that were considered by the Commission in the CAT Approval Order when it categorized firms and estimated burdens. In particular, non-OATS reporters were estimated to be subject to the smallest burdens under the CAT NMS because of the limited scope of their reportable activity. Based on the overall size of the securities lending market and the number of entities that would be providing information to an RNSA, the Commission preliminarily believes that the volume of securities lending transactions for providing lending agents will be, on average, of a similar scope to the volume of reports estimated by non-OATS reporters under the CAT NMS Plan Release. The Commission, therefore, estimates that each providing lending agent would incur 3,600 hours of initial burden to develop and reconfigure their current systems to capture the required data elements.<sup>29</sup> The annualized initial burden per entity per response is 1,200 hours.

### **Ongoing annual burden**

Once a providing lending agent has established the appropriate systems and processes required for collection and provision of the required information to the RNSA, the Commission preliminarily estimates that proposed Rule 10c-1 would impose ongoing annual burdens associated with, among other things, providing the data to the RNSA, monitoring systems, implementing changes, and troubleshooting errors. The Commission estimates that the ongoing burden will be equivalent to the ongoing burden estimated for non-OATS reporters in the CAT Approval Order for the same reasons discussed with respect to initial burden. The Commission, therefore, estimates that it would take 1,350 burden hours per year to comply with the proposed Rule per providing lending agent

The total annualized hourly burden per entity per response is 1,200 hours for initial burden and 1,350 hours for the ongoing annual burden, for a total annual burden of 2,550 burden hours per entity.

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<sup>28</sup> The FINRA website states: "FINRA has established the Order Audit Trail System (OATS), as an integrated audit trail of order, quote, and trade information for all NMS stocks and OTC equity securities. FINRA uses this audit trail system to recreate events in the life cycle of orders and more completely monitor the trading practices of member firms." FINRA, Order Audit Trail System (OATS), available at <http://www.finra.org/industry/oats> (listing further information on OATS).

<sup>29</sup> In the CAT Approval Order, the Commission estimated that, on average, the initial burden for non-OATS reporters would be two full-time equivalent ("FTE") employees working for one year (2 FTEs x 1800 working hours per year = 3600 burden hours). See CAT Approval Order, *supra* note 27, at 84938. The Commission is using this estimate because of the similarities between the requirements applicable to providing lending agents under proposed Rule 10c-1 and the requirements applicable to non-OATS reporters under the CAT.

**Accordingly, the Commission estimates that the total industry-wide annualized initial burden and ongoing burden per entity for this proposed requirement would be 7,650 hours.**<sup>30</sup>

### **Non-Providing Lending Agents**

Instead of providing information to an RNSA, paragraph (a)(1)(ii) would permit the estimated 34 non-providing lending agents to enter into a written agreement with a reporting agent that would provide the required information to the RNSA. These non-providing lending agents would be subject to distinct information collection burdens from those applicable to providing lending agents. First, because they would not have to establish connectivity to an RNSA and may have flexibility in the format of the information that they provide the reporting agent, non-providing lending agents would be subject to less initial and ongoing burden for systems development and monitoring. Second, non-providing lending agents would be subject to initial burden to negotiate and execute a written agreement with the reporting agent.

#### **(i) Non-Providing Lending Agents: Systems Development and Monitoring**

##### **Initial Burden**

Like providing lending agents, non-providing lending agents would incur initial burden to develop and reconfigure their current systems to capture the required data elements. The Commission preliminarily believes that non-providing lending agents would be subject to less burden than providing lending agents, however, because they would likely have the flexibility to collaborate with a reporting agent to determine the most efficient means of establishing systems that comply with the proposed Rule. For example, if agreed to by both parties, the non-providing lending agent could have the flexibility to provide information that does not meet the specific format requirements of an RNSA to the reporting agent if the reporting agent is able to reformat the information once received. Given potential efficiencies, the Commission preliminarily estimates that a non-providing lending agent would be subject to half the initial burden of a providing lending agent to develop and reconfigure their current systems to capture the required data elements as a providing lending agent.

##### **Ongoing Annual Burden**

Once a non-providing lending agent has established the appropriate systems and processes required for collection and provision of the required information to the reporting agent, the Commission preliminarily estimates that the proposed Rule would impose ongoing annual burdens associated with, among other things, providing the data to the reporting agent, monitoring systems, implementing changes, and troubleshooting errors. As with initial burden for this requirement, the Commission preliminarily believes that non-providing lending agents would be subject to less burden than providing lending agents because they would likely have the flexibility to collaborate with a reporting agent to determine the most efficient means of establishing systems that comply with the proposed Rule. For example, the reporting agent could design programs that create direct links to a non-providing lending agent's systems to facilitate

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<sup>30</sup> 2,550 hours x 3 providing lending agents = 7,650 hours.

the gathering of information such that ongoing intervention would not be required by the non-providing lending agent. In addition, non-providing lending agents could negotiate terms with their reporting agents that may allow them to avoid providing certain 10c-1 information that can be gleaned from another data element, such as not requiring the provision of a securities issuer's name if a security has a valid CUSIP. Given the potential efficiencies, the Commission estimates that a non-providing lending agent would be subject to roughly half of the ongoing annual burden of a providing lending agent to develop and reconfigure their current systems to capture the required data elements as a providing lending agent. The Commission, therefore, estimates that each non-providing lending agent would be subject to an annual burden of 675 hours.<sup>31</sup>

The total annualized hourly burden per entity per response is 600 hours for initial burden and 675 hours for the ongoing annual burden, for a total annual burden of 1,275 burden hours per entity. **Accordingly, the Commission estimates that the total industry-wide initial annualized burden combined with the ongoing annual burden per entity would be 1,275 hours, leading to a total industry-wide annual burden for this proposed requirement of 43,350 hours.**<sup>32</sup>

#### **(ii) Non-Providing Lending Agents: Entering into Written Agreement with Reporting Agent**

Paragraph (a)(1)(ii) of proposed Rule 10c-1 would require a non-providing lending agent to enter into a written agreement with a reporting agent. This requirement would subject non-providing lending agents to initial burden to draft, negotiate, and execute the agreements required by this paragraph. The Commission preliminarily believes that this requirement would not subject non-providing lending agents to ongoing annual burden once the agreement is signed because there would be no need to modify the written agreement or take additional action after it is executed. The Commission preliminarily believes that these agreements would likely be standardized across the industry since the data elements would be consistent for all persons. The Commission preliminarily estimates that the only terms that may require negotiation are price and the format of the information that would be required to be provided. To account for negotiation and any administrative tasks that would go into processing and executing agreements, the Commission is estimating non-providing lending agents would spend 30 hours on this task.<sup>33</sup> **Accordingly, the Commission estimates that the annualized initial burden industry-wide for this proposed requirement would total 340 hours.**<sup>34</sup>

#### **Reporting Agents**

The Commission estimates that there would be 94 reporting agents. This estimate is based on the number of broker-dealers that lent securities in 2020. The Commission estimates that these persons would be reporting agents because they would likely have experience providing RNSAs

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<sup>31</sup> 1,350 hours (ongoing burden applicable to providing agents) x 50% = 675 hours.

<sup>32</sup> 1,275 hours x 34 non-providing lending agents = 43,350 hours.

<sup>33</sup> The Commission preliminarily believes that each lending agent would execute one such agreement because of the efficiencies gained from only having one reporting agent and the commoditized information that would be provided. Accordingly, the estimate of 30 hours would be the initial burden required for one agreement.

<sup>34</sup> 10 hours x 34 non-providing lending agents = 340 hours.

with information through other trade-reporting requirements and have experience with securities lending. Three requirements of proposed Rule 10c-1 would subject reporting agents to initial and ongoing annual PRA burdens. The first requirement would be related to the development and monitoring of systems that would facilitate the provision of information to an RNSA. Because reporting agents would provide the same information as a providing lending agent, the Commission preliminarily estimates that the initial and ongoing annual burden for this task would be equivalent to the initial burden attributable to the same task for providing lending agents, as fully described above. The second would be related to the written agreements with the persons who would be providing the reporting agent information. Finally, the third would be related to entering into an agreement with a RNSA to provide 10c-1 information. These burdens are third party disclosure burdens.

### **(i) Reporting Agents: Systems Development and Monitoring**

#### **Initial Burden**

Under paragraph (a) of the proposed rule text, reporting agents would provide 10c-1 information to an RNSA on behalf of another person. The Commission preliminarily believes that a reporting agent would be subject to initial burden to develop and reconfigure their current systems to capture the required data elements because the Commission preliminarily believes that they would need to change internal systems to collect the required information. Additionally, the reporting agent would need to establish, maintain, and enforce reasonably designed written policies and procedures to provide 10c-1 information to an RNSA on behalf of another person in the manner, format, and time consistent with Rule 10c-1.<sup>35</sup> Reporting agents would provide the same information to the RNSA as a providing lending agent,<sup>36</sup> so the Commission preliminarily believes that the burden estimates should be consistent. The Commission, therefore, estimates that each reporting agent would incur 3,600 hours of initial burden to develop and reconfigure their current systems to capture the required data elements, for an annualized hourly burden of 1,200 hours.

#### **Ongoing Annual Burden**

Once a reporting agent has established the appropriate systems and processes required for collection and provision of the required information to the RNSA, proposed Rule 10c-1 would impose ongoing annual burdens associated with providing the data to the RNSA (including an

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<sup>35</sup> Proposed Rule 10c-1(a)(2)(i). *See* Reporting of Securities Loans, 86 FR 69802, 69851 (Dec. 8, 2021).

<sup>36</sup> While the information provided to the RNSA would be the same, certain aspects of the requirements applicable to reporting agents would be slightly different than those applicable to providing lending agents. For example, unlike providing lending agents, reporting agents would need to design systems to establish connectivity with the persons on whose behalf they are providing information to an RNSA. In addition, unlike providing lending agents, reporting agents would be required to provide to the RNSA the identity of the person on whose behalf it is providing the information under paragraph (e) of the proposed Rule. Further, unlike any type of lending agent, reporting agents would be required to establish, maintain, and enforce reasonably designed written policies and procedures to provide information to an RNSA. Despite these differences, the Commission preliminarily believes that the estimates used in the CAT Approval Order are an appropriate basis from which to estimate the burdens for reporting agents in addition to providing lending agents because both provide the same information to the RNSA. Accordingly, this burden estimate for reporting agents is not being adjusted incrementally from the estimate for providing lending agents.

updated list of persons on whose behalf they are providing information, as needed), monitoring systems, implementing changes, and troubleshooting errors. As with the initial burden for this requirement, reporting agents would provide the same information to the RNSA as a providing lending agent, so the Commission preliminarily believes that the burden estimates should be consistent. The Commission, therefore, estimates that each reporting agent would incur 1,350 hours of ongoing annual burden on this requirement.

**The Commission, therefore, estimates that each reporting agent would be subject to an initial burden of 3,600 hours, which is annualized to 1,200 hours per entity per response, and an ongoing annual burden annualized to 1,350 hours per entity per response, leading to a total industry-wide initial burden and ongoing burden for this requirement of 239,700 hours.**<sup>37</sup>

### **(ii) Reporting Agents: Entering into Written Agreements with Persons who Provide 10c-1 Information**

Paragraph (a)(1)(ii) of proposed Rule 10c-1 would require reporting agents to enter into written agreements with the persons on whose behalf they are providing information to an RNSA. This requirement would subject reporting agents to initial burden to draft, negotiate, and execute these agreements. The Commission preliminarily believes that this requirement would not subject reporting agents to ongoing annual burden once the agreement is signed because there would be no need to modify the written agreement or take additional action after it is executed. As discussed above, the Commission preliminarily believes that these agreements would likely be standardized across the industry since the data elements would be consistent for all persons. The Commission preliminarily estimates that the only terms that may require negotiation are price and the format of the information that would be required to be provided. As discussed above, however, the Commission preliminarily believes that this process would be highly automated. The Commission, therefore, preliminarily believes that it would take reporting agents the same amount of time to comply with this requirement of time as non-providing lending agents. **Accordingly, the Commission estimates that each reporting agent would spend 30 hours on this task. As a result, the total annualized industry-wide initial burden attributed to this proposed requirement would be 940 hours.**<sup>38</sup>

### **(iii) Reporting Agents: Entering into Written Agreement with RNSA**

In addition to written agreements with persons on whose behalf they would be providing information, paragraph (a)(2)(ii) of proposed Rule 10c-1 would require reporting agents to enter into written agreements the RNSA.<sup>39</sup> Since all reporting agents would be providing the same information to the RNSA, the Commission preliminarily believes that the terms of these agreements would be negotiated and that ultimately the RNSA would create a form agreement that would be consistent for all reporting agents. While it is possible that the burden may be very

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<sup>37</sup> Combined annualized initial and ongoing burden hours of 2,550 per entity per response x 94 reporting agents = 239,700 total hours.

<sup>38</sup> 10 hours (annualized) x 94 reporting agents = 940 hours.

<sup>39</sup> See Reporting of Securities Loans, 86 FR 69802, 69804 (Dec. 8, 2021).

small since these agreements would likely be standardized, the Commission is conservatively estimating one hour of initial burden for each reporting agent to account for any administrative tasks that would go into processing and executing agreements.<sup>40</sup> The Commission preliminarily believes that reporting agents that enter into written agreements with RNSAs would not incur any ongoing annual burden to comply with this requirement once the agreement is signed because there will be no need to modify the written agreement or take additional action because the information will not vary.<sup>41</sup> **Accordingly, the Commission estimates that the annualized industry-wide initial burden for this requirement would be 31 hours.**<sup>42</sup>

#### **(iv) Reporting Agents: Preserve 10c-1 Information at Least 3 Years**

Paragraph (a)(2)(iv) of proposed Rule 10c-1 would require reporting agents to preserve for a period of not less than three years, the first two years in an easily accessible place, the 10c-1 information that it obtained from any person pursuant to paragraph (a)(1)(ii), including the time of receipt, and the corresponding 10c-1 information provided by the reporting agent to the RNSA, including the time of transmission to the RNSA, and the written agreements that the reporting agent entered into with the persons on whose behalf it was providing information and the RNSA. This is a recordkeeping burden. The Commission preliminarily believes that the initial burden associated with retaining the collected information is associated with reporting agents' burden to develop and reconfigure their current systems to capture the required data elements. Accordingly, the Commission is not assessing an initial burden associated with the recordkeeping of information required by proposed Rule 10c-1(a)(2)(iv). The Commission preliminarily believes that this recordkeeping requirement will be highly automated. The Commission, therefore, estimates that reporting agents will spend one hour per week on upkeep and testing of records to ensure accuracy to comply with this requirement, for a total of 52 hours per year of annual burden per reporting agent. **Accordingly, the Commission estimates that the industry-wide ongoing annual burden for this requirement would be 4,888 hours.**<sup>43</sup>

#### **Lenders not Employing a Lending Agent**

The Commission estimates that there would be 278 Lenders that would not employ a lending agent. This estimate is based on the number of investment companies that do not employ a lending agent based on a review of N-CEN reports filed with the Commission. Of these 278 Lenders, the Commission estimates that 139 will provide information to an RNSA and 139 will provide information to a reporting agent. As discussed in the Proposing Release for Rule 10c-1,<sup>44</sup> some Lenders run their own securities lending program rather than employing a lending agent. Under proposed Rule 10c-1, these persons would be required to either (1) provide 10c-1 information directly to an RNSA (a "self-providing lender") or (2) use a reporting agent to provide 10c-1 information to an RNSA (a "lender that directly employs a reporting agent").

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<sup>40</sup> For example, a reporting agent may need to enter the written agreement into a contract management system or scan an executed paper agreement into an electronic format.

<sup>41</sup> The data elements that will need to be reported will not change and will be consistent across the industry. Therefore, there will be no need to modify or update agreements in any way.

<sup>42</sup> .33 hours (annualized) x 94 reporting agents = 31 hours.

<sup>43</sup> 52 hours x 94 reporting agents = 4,888 hours.

<sup>44</sup> See Reporting of Securities Loans, 86 FR 69802, 69805 (Dec. 8, 2021).



Lenders' burdens are third party disclosure burdens. The Commission preliminarily believes that the initial and ongoing annual burden would vary between these two types of lenders.

### **Lenders not Employing a Lending Agent-- Self-Providing Lenders: Systems Development and Monitoring**

Self-providing lenders would be subject to initial and ongoing annual burden to develop and reconfigure their current systems to capture the required data elements. Because the information that would be provided to an RNSA would be the same information as the information provided by a providing lending agent and a reporting agent, the Commission preliminarily believes that the initial and ongoing annual burden for this task would be equivalent to the initial burden attributable to the same task for providing lending agents and reporting agents, as more fully discussed below.

#### **Initial Burden**

Self-providing lenders would be subject to initial burden to develop and reconfigure their current systems to capture the required data elements because the Commission preliminarily believes that they would need to change internal order routing and execution management systems to collect the required information. Self-providing lenders would provide the same information to the RNSA as a providing lending agent and reporting agent, so the Commission preliminarily believes that the burden estimates should be consistent. The Commission, therefore, estimates that each self-providing lender would incur 3,600 hours of initial burden to develop and reconfigure their current systems to capture the required data elements.

#### **Ongoing Annual Burden**

Once a self-providing lender has established the appropriate systems and processes required for collection and provision of the required information to the RNSA, the Commission preliminarily estimates that the proposed Rule 10c-1 would impose ongoing annual burdens associated with, among other things, providing the data to the RNSA, monitoring systems, implementing changes, and troubleshooting errors. As with the initial burden for this requirement, the Commission estimates that the ongoing annual burden for this task would be the same as providing lending agents and reporting agents because each would be providing the same information to the RNSA so the Commission preliminarily believes that the burden estimates should be consistent. The Commission, therefore, estimates that each reporting agent would incur 1,350 hours of ongoing annual burden on this requirement.

**Accordingly, the Commission estimates that each self-providing lender would be subject to an initial burden of 3,600 hours, which is annualized to 1,200 hours per entity per response, and an ongoing annual burden annualized to 1,350 hours per entity per response, leading to a total industry-wide initial burden and ongoing burden for this requirement of 354,450 hours.**<sup>45</sup>

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<sup>45</sup> Combined annualized initial and ongoing burden hours of 2,550 per entity per response x 139 self-providing lenders = 354,450 total hours.

## **Lenders Directly Employing a Reporting Agent**

Lenders that directly employ a reporting agent would be subject to distinct information collection burdens from those applicable to self-providing lenders. First, because they would not have to establish connectivity to an RNSA and may have flexibility in the format of the information that it provides the reporting agent, lenders that directly employ a reporting agent would be subject to less initial and ongoing burden for systems development and monitoring. Second, unlike self-providing lenders, lenders that would directly employ a reporting agent would be subject to initial burden to negotiate and execute a written agreement with the reporting agent as required by paragraph (a)(1)(ii).

### **(i) Lenders Directly Employing a Reporting Agent: Systems Development and Monitoring**

#### **Initial Burden**

The Commission preliminarily believes that lenders that would directly employ a reporting agent would incur initial burden to develop and reconfigure their current systems to capture the required data elements and provide them to a reporting agent. Lenders that would directly employ a reporting agent would provide the same information to a reporting agent as a non-providing lending agent, so the Commission preliminarily believes that the burden estimates should be consistent. The Commission, therefore, preliminarily estimates that a lender that directly employs a reporting agent would be subject to an initial burden of 1,800 hours, which is 600 burden hours when annualized.

#### **Ongoing Annual Burden**

Once a lender that directly employs a reporting agent has established the appropriate systems and processes required for collection and provision of the required information to the reporting agent, the proposed Rule would impose ongoing annual burden associated with, among other things, providing the data to the reporting agent, monitoring systems, implementing changes, and troubleshooting errors. As with the initial burden for this requirement, the Commission estimates that the ongoing annual burden for this task would be the same as a non-providing lending agent, so the Commission preliminarily believes that the burden estimates should be consistent. The Commission, therefore, estimates that each lender that directly employs a reporting agent would be subject to an ongoing annual burden of 675 hours.

**Accordingly, the Commission estimates that each lender employing a reporting agent would be subject to an initial burden of 3,600 hours, which is annualized to 1,200 hours per entity per response, and an ongoing annual burden of 675 hours per entity per response, leading to a total industry-wide initial burden and ongoing burden for this requirement of 177,225 hours.**<sup>46</sup>

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<sup>46</sup> Combined annualized initial and ongoing burden hours of 2,550 per entity per response x 139 lenders employing a reporting agent = 177,225 total hours.

## **(ii) Lenders Directly Employing a Reporting Agent: Entering Into a Written Agreement with a Reporting Agent**

Paragraph (a)(1)(ii) of proposed Rule 10c-1 would require lenders that directly employ a reporting agent to enter into a written agreement with their reporting agent. This requirement would subject lenders that directly employ a reporting agent to initial burden to draft, negotiate, and execute these agreements. Lenders that directly employ a reporting agent would largely provide the same information to the reporting agent as a non-providing lending agent, so the Commission preliminarily believes that the burden estimates for entering into the agreements should be consistent. The Commission, therefore, estimates that each lender that directly employs a reporting agent would spend 30 hours of initial burden on this task, which is annualized to 10 hours per entity per response. The Commission preliminarily believes that reporting agents that enter into written agreements with the RNSA would not incur any ongoing annual burden to comply with this requirement once the agreement is signed because there will be no need to modify the written agreement or take additional action because the information will not vary.<sup>47</sup> **Accordingly, the Commission estimates that the total industry-wide initial burden attributed to this proposed requirement would be 1,390 hours.**<sup>48</sup>

### **Information Collection Applicable to RNSAs**

Proposed Rule 10c-1 places new burdens on RNSAs. Proposed Rule 10c-1(b) and 10c-1(c) would require the RNSA to collect the 10c-1 information provided to the RNSA by Lenders and make this information publicly available as soon as practicable. The collection of 10c-1 information might cause an RNSA to exercise authority under proposed Rule 10c-1(f) and implement rules regarding the format and manner to administer the collection of information required by proposed Rule 10c-1.<sup>49</sup> Rule 10c-1(b) also requires the RNSA to create a unique transaction identifier and assign it to each loan reported to the RNSA under 10c-1. Furthermore, for each security about which the RNSA receives information pursuant to 10c-1(e)(1) and (e)(2), the RNSA would be required by Rule 10c-1(e)(3) to make available to the public only aggregated information for that security, including information required by (e)(1)(i) and (ii) and (e)(2)(i) and (ii), as soon as practicable, but not later than the next business day. Additionally, proposed Rule 10c-1(g)(1) would also require RNSAs to retain the information collected pursuant to paragraphs (b) through (e) of proposed Rule 10c-1 in a convenient and usable standard electronic data format that is machine readable and text searchable without any manual intervention for a period of five years; and proposed Rule 10c-1(g)(3) would require the RNSA to provide information collected under paragraphs (b) and (c) and the aggregate of the information provided pursuant to paragraph (e) available to the public, for a least a five-year period. Proposed Rule 10c-1(g)(2) would require the RNSA to make 10c-1 information available to the Commission or other persons as the Commission may designate by order upon a demonstrated regulatory need.

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<sup>47</sup> See footnote 41 *supra*.

<sup>48</sup> 10 hours x 139 lenders that directly employ a reporting agent = 1,390 hours.

<sup>49</sup> The burden of filing any proposed rule changes by the RNSA is already included under the collection of information requirements contained in Rule 19b-4 under the Exchange Act. See Securities Exchange Act Release No. 50486 (Oct. 5, 2004), 69 FR 60287, 60293 (Oct. 8, 2004) (File No. S7-18-04)(describing the collection of information requirements contained in Rule 19b-4 under the Exchange Act).

## **RNSA Collection of Information from Lenders and Providing Information to the Public and the Commission: Implement and Maintain Infrastructure for Lenders to Report Information to the RNSA**

As discussed above, Lenders would be required to provide information to an RNSA pursuant to Rule 10c-1(a) and the RNSA would be required to make certain information publicly available on its website or similar means of electronic distribution, as soon as practicable, without charge and without use restrictions. Accordingly, an RNSA would be required to create, implement and maintain the infrastructure to enable Lenders to provide the RNSA with the 10c-1 information, which would include establishing technical requirements and specifications for such infrastructure, creating a system that would generate unique transaction identifiers, meeting with industry participants to gather feedback on the proposed infrastructure, drafting written policies and procedures to protect the confidentiality of certain information, and entering into written agreements with Lenders – including lending agents and reporting agents – for such information to be provided to the RNSA. Additionally, the infrastructure would need to comply with proposed Rule 10c-1(g)(2), which would require the RNSA to make the information collected pursuant to paragraphs (b) through (e) available to the Commission or other persons as the Commission may designate by order upon a demonstrated regulatory need. These are third party disclosure and reporting burdens.

The Commission preliminarily believes that the initial burden for the RNSA to create and implement the infrastructure for Lenders to provide the required information to the RNSA and for the RNSA to provide such information to the public is similar to the requirement for National Securities Exchanges and RNSAs to establish the appropriate systems and processes required for collection and transmission of the required information under the CAT NMS Plan submitted by SROs under Exchange Act Rule 613. While similar enough to use as the basis for the estimate, the Commission preliminarily believes that systems that comply with proposed Rule 10c-1 will be significantly less complex than those that comply with the CAT because they will need to capture less information overall. Additionally, there is currently only one RNSA (FINRA), rather than the multiple National Securities Exchanges, that will have the burden to create and implement the infrastructure for Lenders to provide information to the RNSA. Accordingly, the burden hour estimates for this collection of information will be substantially reduced from the CAT estimates, as detailed below. Further, the Commission preliminarily believes that the RNSA will have internal staff that can handle this task, so unlike the tasks under the CAT NMS Plan, the tasks under proposed Rule 10c-1 would not require any outsourcing.

### **Initial Burden**

The Commission estimates that it would take an RNSA approximately 10,924 hours of internal legal, compliance, information technology, and business operations time to develop the infrastructure to enable Lenders to provide the information required by Rule 10c-1 to the RNSA and for the RNSA to provide such information to the public.<sup>50</sup> The Commission preliminarily

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<sup>50</sup> This estimate is based on the Commission's initial burden estimate for national securities exchanges and RNSAs regarding the data collection and reporting for the consolidated audit trail which was approximately 43,696.8 burden

believes that the RNSA would not incur external costs for the implementation of the infrastructure to enable Lenders to provide the information required by the Rule to the RNSA and make such information publicly available because the sole RNSA--FINRA, has experience implementing systems to collect information from its members. Therefore, the Commission preliminarily estimates that the average one-time initial burden of developing the infrastructure to enable Lenders to provide the information required by proposed Rule 10c-1 would be an annualized burden of 3,641 hours for the RNSA.

### **Ongoing Annual Burden**

Once the RNSA has developed the infrastructure to enable Lenders to provide the 10c-1 information to the RNSA and for the RNSA to provide such information to the public, the Commission preliminarily estimates that Rule 10c-1 would impose on the RNSA ongoing annual burdens of 7,739.5 hours to ensure that the infrastructure is up to date and remains in compliance with the proposed Rule.

**Accordingly, the Commission estimates that the industry-wide annualized initial burden and annual ongoing burden hours for this requirement would be 11,380.50.**

### **RNSA Retention of Collected Information**

Proposed Rule 10c-1(g)(1) requires that the RNSA retain the information collected pursuant to paragraphs (b) through (e) of this section in a convenient and usable standard electronic data format that is machine readable and text searchable without any manual intervention for a period of five years. This is a recordkeeping burden. The Commission preliminarily believes that the initial burden associated with retaining the collected information is associated with the RNSA's burden to implement and maintain the infrastructure for Lenders to report information to the RNSA. Accordingly, the Commission is not assessing an initial burden associated with the retention of information required to be reported under the proposed Rule. The Commission, however, preliminarily estimates that Rule 10c-1 would impose on the RNSA ongoing annual burdens of 52 hours to retain the collected information required by the proposed Rule,<sup>51</sup> for an

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hours in total. *See* CAT Approval Order at 84921. Given the size of the overall equity market vs. the size of the securities lending market the Commission preliminarily believes the CAT burden hours would overestimate the burden hours to develop the infrastructure to provide information required by Rule 10c-1 to the RNSA and for the RNSA to provide such information to the public. Accordingly, the Commission preliminarily believes that the initial burden should be calculated based on the size of the securities lending market in comparison to the size of the equities market. The Commission estimates that the average daily dollar value of securities lending transactions is approximately \$120 billion dollars compared to the average daily equity trading volume of \$475 billion. Accordingly, the size of the securities lending market is approximately 25% of the U.S. equity market. Therefore, the Commission estimates that the initial burden to develop and implement the needed systems changes to capture and publish the 10c-1 information is 25% of the burden hours for CAT, which would be 10,924 burden hours.

<sup>51</sup> This estimate is similar to the Commission's ongoing annual burden estimate for national securities exchanges and RNSAs regarding the data collection and reporting for Rule 17a-1, which requires that every national securities exchange, national securities association, registered clearing agency, and the Municipal Securities Rulemaking Board keep on file for a period of not less than five years, the first two years in an easily accessible place, at least one copy of all documents, including all correspondence, memoranda, papers, books, notices, accounts, and other

estimated annual burden of 52 hours. The Commission preliminarily believes it is appropriate to add burden hours that already exist for 17a-1 because the RNSA will have to retain records involving 10c-1 information for Lenders that are not FINRA members. **Accordingly, the annual hourly burden hours for this requirement would be 52 hours.**

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

The Commission does not believe that respondents will incur any external costs to comply with the proposed Rule.

### **14. Cost to Federal Government**

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

### **15. Changes in Burden**

Not applicable.

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

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

### **17. OMB Expiration Date Display Approval**

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

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

This collection complies with the requirements in 5 CFR 1320.9.

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

This collection does not involve statistical methods.

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such records made or received by it in the course of its business as such and in the conduct of its self-regulatory activity. *See* Paperwork Reduction Act Extension Notice for Exchange Act Rule 17a-1, 84 FR 57920 (Oct. 29, 2019).