

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

**3235-0751**  
**Proposed Partial Revision**

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

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

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

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

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

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

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

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

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

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

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

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

## **Proposed Partial Revision to Collection of Information**

As discussed further below, in November 2021, the Commission proposed amendments to the electronic recordkeeping requirements of security in Rule 18a-6.<sup>6</sup> This Supporting Statement addresses only the collections of information that are proposed to be revised or added as a result of the rule amendments proposed in November 2021 regarding the electronic recordkeeping requirements of SBS Entities.

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

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

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

Rule 18a-6 specifically allows stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to use electronic storage media to comply with the recordkeeping requirements under the Exchange Act. If such records are stored electronically, they must meet certain requirements set forth in the rule.<sup>7</sup> Because it sets minimum standards for the electronic

<sup>6</sup> See *Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants*, Exchange Act Release No. 34-93614 (Nov. 18, 2021), 86 FR 68300 (December 1, 2021) (“2021 Electronic Recordkeeping Proposal”).

<sup>7</sup> See paragraph (e)(2) of Rule 18a-6, as adopted.

storage media employed, Rule 18a-6 does not limit stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank MSBSs to using forms of electronic storage which may become obsolete as new technology is developed. The Commission believes that improvements in telecommunications and data processing technology may reduce any burdens that result from Rule 18a-6. The proposed audit trail standard in the proposed amendments is designed to update the requirements in Rule 18a-6 to account for technological advances in recordkeeping technologies.

#### **4. Duplication**

Requiring stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank MSBSs to maintain the records specified in Rule 18a-6, as adopted, does not duplicate requirements of any other rule. Moreover, the Commission has a substantial interest in ensuring that stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank MSBSs preserve the information required in Rule 18a-6, as adopted, in order to ensure compliance with applicable Commission rules. Additionally, the Commission has provided SBSs with an alternative method of compliance with certain requirements of Rule 18a-6, as adopted. Specifically, the Commission has adopted Rule 18a-10<sup>8</sup> which provides an alternative compliance mechanism under which an SBS that is also registered as a swap dealer with the CFTC may comply with relevant recordkeeping requirements of the Commodity Exchange Act and the rules promulgated thereunder in lieu of complying with the recordkeeping requirements of Rule 18a-6, as amended, provided that certain requirements are met.

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

Currently none of the SBS Entities registered with the Commission are “small entities”, and based on feedback from industry participants about the security-based swap market, it is unlikely that any other entities that will register with the Commission in the future as SBSs or MSBSs will be “small entities.”<sup>9</sup> Thus, it is unlikely that the requirements under Rule 18a-6 will affect small entities.

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

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

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

<sup>9</sup> Section 601(b) of the Regulatory Flexibility Act (“RFA”) defines the term “small entity.” The statute, however, permits agencies to formulate their own definitions. The Commission has adopted definitions for the term “small entity” for the purposes of Commission rulemaking in accordance with the RFA. Those definitions, as relevant to this rulemaking, are set forth in 17 CFR 240.0-10. See *Statement of Management on Internal Accounting Control*, Exchange Act Release No. 18451 (Jan. 28, 1982), 47 FR 5215 (Feb. 4, 1982).

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

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

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

The Commission requested comment on the partial revision to the collection of information requirements when the amendments were proposed in November 2021.<sup>10</sup> The Commission received no comments regarding the Paperwork Reduction Act burden and cost estimates.

## **9. Payment or Gift**

No payment or gift is provided to respondents.

## **10. Confidentiality**

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

## **11. Sensitive Questions**

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

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

Rule 18a-6 described in the SBS Recordkeeping Release establishes recordkeeping requirements applicable to stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank MSBSs.<sup>11</sup> The rule is expected to impose a one-time initial burden and an additional ongoing burden on the industry, although actual recordkeeping requirements are expected to vary depending on the size and complexity of the firm.

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<sup>10</sup> See *2021 Electronic Recordkeeping Proposal*.

<sup>11</sup> See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rules*, Exchange Act Release No. 87005 (Sept. 19, 2019), 84 FR 68550 (Dec. 16, 2019).

## Currently Approved Burdens

**Stand-Alone SBSDs and Stand-Alone MSBSPs:** Rule 18a-6 requires 27 types of records to be preserved by stand-alone SBSDs and stand-alone MSBSPs.<sup>12</sup> Rule 18a-6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to provide adequate physical space and computer hardware and software for storage, preserve these records for the requisite time period, and produce them when requested.<sup>13</sup> The Commission estimates that the record preservation requirements applicable to stand-alone SBSDs and stand-alone MSBSPs impose an initial burden of 364 hours and an ongoing annual burden of 280 hours per firm (including the first year). The Commission estimates that there are 10 respondents (six stand-alone SBSDs and four stand-alone MSBSPs), resulting in an estimated industry-wide initial burden of 3,640 hours,<sup>14</sup> and an industry-wide ongoing annual burden of 2,800 hours (including the first year).<sup>15</sup> Over a three year period, **the total estimated industry burden is 12,040 hours,<sup>16</sup> or 4,013 hours when annualized.<sup>17</sup>**

**Stand-Alone SBSDs:** Rule 18a-6 requires three types of records to be preserved by stand-alone SBSDs.<sup>18</sup> Because the burden to create these records is accounted for in the PRA

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<sup>12</sup> See Rule 18a-6 (paragraph (a)(1), cross-referencing paragraph (a)(1) of Rule 18a-5 (trade blotters); paragraph (a)(1), cross-referencing paragraph (a)(2) of Rule 18a-5 (general ledgers); paragraph (a)(1), cross-referencing paragraph (a)(3) of Rule 18a-5 (ledgers of customer and non-customer accounts); paragraph (a)(1), cross-referencing paragraph (a)(4) of Rule 18a-5 (stock record); paragraph (a)(1), cross-referencing paragraph (a)(5) of Rule 18a-5 (memoranda of proprietary orders); paragraph (a)(1), cross-referencing paragraph (a)(6) of Rule 18a-5 (confirmations); paragraph (a)(1), cross-referencing paragraph (a)(7) of Rule 18a-5 (account holder information); paragraph (a)(1), cross-referencing paragraph (a)(8) of Rule 18a-5 (options positions); paragraph (a)(1), cross-referencing paragraph (a)(9) of Rule 18a-5 (trial balances and computation of net capital); paragraph (a)(1), cross-referencing paragraph (a)(12) of Rule 18a-5 (Rule 18a-3 calculations); paragraph (a)(1), cross-referencing paragraph (a)(15) of Rule 18a-5 (unverified transactions); paragraph (a)(1), cross-referencing paragraph (a)(17) of Rule 18a-5 (compliance with business conduct standards); paragraph (b)(1)(ii) (bank records); paragraph (b)(1)(iii) (bills); paragraph (b)(1)(iv) (communications); paragraph (b)(1)(v) (trial balances); paragraph (b)(1)(vi) (account documents); paragraph (b)(1)(vii) (written agreements); paragraph (b)(1)(viii) (information supporting financial reports); paragraph (b)(1)(ix) (Rule 15c3-4 risk management records); paragraph (b)(1)(xi) (Regulation SBSR information); paragraph (b)(1)(xii) (records relating to business conduct standards); paragraph (b)(1)(xiii) (special entity documents); paragraph (c) (corporate documents); paragraph (d)(1) (associated person's employment application); paragraph (d)(2)(i) (regulatory authority reports); and paragraph (d)(3)(i) (compliance, supervisory, and procedures manuals)).

<sup>13</sup> Entities that would register as stand-alone SBSDs and stand-alone MSBSPs likely make and keep some records today as a matter of routine business practice, but which records such entities make is not available to the Commission. Therefore, the PRA burden estimate for these entities is based on the assumption that they currently keep no records.

<sup>14</sup> 364 hours x 10 stand-alone SBSDs and stand-alone MSBSPs = 3,640 hours.

<sup>15</sup> 280 hours x 10 stand-alone SBSDs and stand-alone MSBSPs = 2,800 hours.

<sup>16</sup> (3,640 hours + 2,800 hours) + 2,800 hours + 2,800 hours = 12,040 hours.

<sup>17</sup> 12,040 hours / 3 years = 4,013.33 hours per year.

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

estimate for Rule 18a–5, the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that the relevant portions of paragraph (b)(1)(i) of Rule 18a–6 impose an initial burden of 44 hours per firm, and an ongoing annual burden of 30 hours per firm (including the first year). The Commission estimates that there are six stand-alone SBSBs, resulting in an industry-wide initial burden of 264 hours<sup>19</sup> and an industry-wide ongoing annual burden of 180 hours (including the first year).<sup>20</sup> Over a three year period, **the total estimated industry burden is 804 hours,<sup>21</sup> or 268 hours when annualized.<sup>22</sup>**

**Model Stand-Alone SBSBs:** Rule 18a–6 requires records relating to credit risk determinations to be preserved by stand-alone SBSBs authorized to use models.<sup>23</sup> Because the burden of actually performing the underlying task and creating the written record is already accounted for in the PRA estimate for Rule 18a–1, the burden is the requirement to preserve these records for at least three years. The Commission estimates that paragraph (b)(1)(x) imposes an initial burden of 18 hours and an ongoing annual burden of 10 hours per stand-alone SBSB authorized to use models (including the first year). The Commission estimates that there are four stand-alone SBSBs authorized to use models, resulting in an industry-wide initial burden of 72 hours<sup>24</sup> and an industry-wide ongoing annual burden of 40 hours (including the first year).<sup>25</sup> Over a three year period, **the total estimated industry burden is 192 hours,<sup>26</sup> or 64 hours when annualized.<sup>27</sup>**

**Bank SBSBs and Bank MSBSPs:** Rule 18a–6 requires 18 types of records to be preserved by bank SBSBs and bank MSBSPs, all of which are limited to the firm’s business as an SBSB or MSBSP.<sup>28</sup> Rule 18a–6 does not require the firm to create these records or perform

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<sup>19</sup> 44 hours x 6 stand-alone SBSBs = 264 hours.

<sup>20</sup> 30 hours x 6 stand-alone SBSBs = 180 hours.

<sup>21</sup> (264 hours + 180 hours) + 180 hours + 180 hours = 804 hours.

<sup>22</sup> 804 hours / 3 years = 268 hours per year.

<sup>23</sup> See Rule 18a–6 (paragraph (b)(1)(x) (credit risk determinations)).

<sup>24</sup> 18 hours x 4 stand-alone SBSBs authorized to use models = 72 hours.

<sup>25</sup> 10 hours x 4 stand-alone SBSBs authorized to use models = 40 hours.

<sup>26</sup> (72 hours + 40 hours) + 40 hours + 40 hours = 192 hours.

<sup>27</sup> 192 hours / 3 years = 64 hours per year.

<sup>28</sup> See Rule 18a–6 (paragraph (a)(2), cross-referencing paragraph (b)(1) of Rule 18a–5 (trade blotters); paragraph (a)(2), cross-referencing paragraph (b)(2) of Rule 18a–5 (ledgers of security-based swap customers and non-customers); paragraph (a)(2), cross-referencing paragraph (b)(3) of Rule 18a–5 (stock records); paragraph (b)(2)(i), cross-referencing paragraph (b)(4) of Rule 18a–5 (memoranda of brokerage orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(5) of Rule 18a–5 (memoranda of proprietary orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(6) of Rule 18a–5 (confirmations); paragraph (b)(2)(i), cross-referencing paragraph (b)(7) of Rule 18a–5 (account holder information); paragraph (b)(2)(i), cross-referencing paragraph (b)(11) of Rule 18a–5 (unverified transactions); paragraph (b)(2)(i), cross-referencing paragraph (b)(13) of Rule 18a–5 (compliance with business conduct requirements); paragraph (b)(2)(ii) (communications); paragraph (b)(2)(iii) (account documents); paragraph (b)(2)(iv) (written agreements); paragraph (b)(2)(vi) (Regulation SBSR information); paragraph (b)(2)(vii) (records

the underlying task, so the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. Therefore, after consideration of the similar burdens imposed by Rule 17a-4, as amended, the Commission estimates that Rule 18a-6 imposes on bank SBSBs and bank MSBSPs an initial burden of 247 hours per firm and an ongoing burden of 190 hours per firm (including the first year). The Commission estimates that there are 25 respondents (25 bank SBSBs and no bank MSBSPs), resulting in an estimated industry-wide initial burden of 6,175 hours<sup>29</sup> and an industry-wide ongoing annual burden of 4,750 hours (including the first year).<sup>30</sup> Over a three year period, **the total estimated industry burden is 20,425 hours, <sup>31</sup> or 6,808 hours when annualized.**<sup>32</sup>

**Bank SBSBs:** Rule 18a-6 requires four types of records to be preserved by bank SBSBs, all of which are limited to the firm's business as an SBSB.<sup>33</sup> Because the burden to perform the underlying task or create these records is accounted for in the PRA estimates for Rule 18a-4 and Rule 18a-5, the burdens imposed by these new requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that paragraphs (b)(2)(i) and (b)(2)(v) of Rule 18a-6 impose an initial burden of 57 hours per firm and an ongoing annual burden of 40 hours per firm. The Commission estimates that there are 25 bank SBSBs, resulting in an industry-wide initial burden of 1,425 hours<sup>34</sup> and an industry-wide ongoing annual burden of 1,000 hours.<sup>35</sup> Over a three year period, **the total estimated industry burden is 4,425 hours, <sup>36</sup> or 1,475 hours when annualized.**<sup>37</sup>

**Third-Party Custodians:** Paragraph (f) of Rule 18a-6 requires third-party custodians for non-broker-dealer SBSBs and non-broker-dealer MSBSPs to file with the Commission a written undertaking and surrender the SBSB or MSBSP's records upon the Commission's request.<sup>38</sup> The obligation to provide documents upon the Commission's request does not impose

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relating to business conduct standards); paragraph (b)(2)(viii) (special entity documents); paragraph (d)(1) (associated person's employment application); paragraph (d)(2)(ii) (regulatory authority reports); paragraph (d)(3)(ii) (compliance, supervisory, and procedures manuals)).

<sup>29</sup> 247 hours x 25 bank SBSBs = 6,175 hours.

<sup>30</sup> 190 hours x 25 bank SBSBs = 4,750 hours.

<sup>31</sup> (6,175 hours + 4,750 hours) + 4,750 hours + 4,750 hours = 20,425 hours.

<sup>32</sup> 20,425 hours / 3 years = 6,808.33 hours per year.

<sup>33</sup> See Rule 18a-6 (paragraph (b)(2)(i), cross-referencing paragraph (b)(9) (compliance with Rule 18a-4 possession or control requirements) of Rule 18a-5; paragraph (b)(2)(i), cross-referencing paragraph (b)(10) (Rule 18a-4 reserve account computations) of Rule 18a-5; paragraph (b)(2)(i), cross-referencing paragraph (b)(12) (political contributions) of Rule 18a-5; and paragraph (b)(2)(v) (Rule 18a-4 reserve account computations)).

<sup>34</sup> 57 hours x 25 bank SBSBs = 1,425 hours.

<sup>35</sup> 40 hours x 25 bank SBSBs = 1,000 hours.

<sup>36</sup> (1,425 hours + 1,000 hours) + 1,000 hours + 1,000 hours = 4,425 hours.

<sup>37</sup> 4,425 hours / 3 years = 1,475 hours per year.

<sup>38</sup> See paragraph (f) of Rule 18a-6, as adopted.

a new burden, since this requirement merely changes the respondent’s identity rather than adding to the quantity of burdens. Thus, the burden is the requirement is to prepare and file a written undertaking. The Commission estimates that 50% of the 35 non-broker-dealer SBSBs and non-broker-dealer MSBSPs would retain a third-party custodian, resulting in 19 written undertakings. The Commission estimates paragraph (f) of Rule 18a–6 imposes an ongoing annual burden of two hours per written undertaking, **resulting in an industry-wide ongoing burden of 35 hours per year.**<sup>39</sup>

**Total Industry Hour Burden:** Thus, the total initial industry hour burden attributable to Rule 18a-6 is estimated to be 11,576 hours in the first year<sup>40</sup> and the total industry ongoing hour burden attributable to Rule 18a-6, as adopted, is estimated to be 8,770 hours per year.<sup>41</sup> **The total annualized burden is estimated to be 12,629 hours.**<sup>42</sup> These burdens are recordkeeping burdens.

Summary of Hourly Burdens										
Name of Information Collection	Type of Burden	A. Number of Entities Impacted	B. Annual Responses per Entity	C. Initial Burden per Entity per Response	D. Initial Burden Annualized per Entity per Response	E. Ongoing Burden per Entity per Response	F. Annual Burden Per Entity per Response	G. Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected
					[C + 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSBs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	10	1	364.00	121.33	280.00	401.33	401.33	4,013.33	0.00
Stand-alone SBSBs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	6	1	44.00	14.67	30.00	44.67	44.67	268	0.00
Model stand-alone SBSBs: Paragraph (b)(1)(x)	Recordkeeping	4	1	18.00	6.00	10.00	16.00	16.00	64.00	0.00
Bank SBSBs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1), (d)(2)(ii), (d)(3)(ii)	Recordkeeping	25	1	247.00	82.33	190.00	272.33	272.33	6,808.33	0.00
Bank SBSBs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	25	1	57.00	19.00	40.00	59.00	59.00	1,475.00	0.00
Third-Party Custodians	Recordkeeping	17	1	0.00	0.00	2.00	2.00	2.00	35.00 <sup>43</sup>	0.00
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>									<b>12,628.67</b>	

<sup>39</sup> 2 hours × 17.5 written undertakings = 35 hours per year.

<sup>40</sup> 3,640 hours + 264 hours + 72 hours + 6,175 hours + 1,425 hours + 0 hours = 11,576 hours.

<sup>41</sup> 2,800 hours + 180 hours + 40 hours + 4,750 hours + 1,000 hours + 35 hours = 8,770 hours.

<sup>42</sup> 4013.33 hours + 268 hours + 64 hours + 6,808.33 hours + 1,475 hours + 35 hours = 12,628.677 hours.

<sup>43</sup> This number is 36 hours in ROCIS because the calculation for the number of estimates respondents (50 percent of non-broker-dealer SBSBs and MBSDs) resulted in a fractional number and ROCIS will only accept a whole number of respondents.

**PROPOSED PARTIAL REVISION: New Burdens Associated with the 2021 Proposed Amendments to Rule 18a-6**

The proposed amendments to Rule 18a-6(e) would add an audit-trail alternative to the current SBS Entity recordkeeping requirement.<sup>44</sup> The Commission also proposed amendments to this paragraph to require the SBS Entity to have a backup set of records when records are preserved on an electronic recordkeeping system.<sup>45</sup> The proposed amendments to Rule 18a-6(e) also would establish a requirement that a senior officer of the SBS Entity have the access and provide the necessary undertakings.<sup>46</sup> The proposed amendments to Rule 18a-6(g) also would require a SBS Entity furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 18a-6(g), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.<sup>47</sup>

The Commission estimates that the establishment of a senior officer requirement for the 44 SBS Entities subject to the rule would result in an annual burden of one hour per firm, for a total of 44 hours under Rule 18a-6(e).

Name of Information Collection	Type of Burden	Number of Respondents	Summary of Hourly Burdens					
			Annual Responses per Respondent	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Hourly Burden per Response	Annual Burden Per Entity	Annual Burden for all Respondents
Rule 18a-6(e) – Senior Officer amendment	Recordkeeping	44	1	0	0	1	1	44
							<b>TOTAL</b>	<b>44</b>

**13. Costs to Respondents**

The following chart summarizes the costs that are currently approved for this collection. A description of each cost follows the chart:

Summary of Dollar Costs										
		A.	B.	C.	D.	E.	F.	G.		

<sup>44</sup> See section II.D. of the 2021 Electronic Recordkeeping Proposal (discussing this proposed amendment).

<sup>45</sup> See section II.E. of the 2021 Electronic Recordkeeping Proposal (discussing this proposed amendment).

<sup>46</sup> *Id.*

<sup>47</sup> See section II.G. of the 2021 Electronic Recordkeeping Proposal (discussing this proposed amendment).

Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Cost per Entity per Response	Initial Cost Annualized per Entity per Response	Ongoing Cost per Entity per Response	Annual Cost Per Entity per Response	Total Annual Cost Per Entity	Total Industry Cost	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSDBs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	10	1	\$0.00	\$0.00	\$5,720.00	\$5,720.00	\$5,720.00	\$57,200.00	0.00
Stand-alone SBSDBs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	6	1	\$0.00	\$0.00	\$360.00	\$360.00	\$360.00	\$2,160.00	0.00
Model stand-alone SBSDBs: Paragraph (b)(1)(x)	Recordkeeping	4	1	\$0.00	\$0.00	\$120.00	\$120.00	\$120.00	\$480.00	0.00
Bank SBSDBs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1),(d)(2)(ii), (d)(3)(ii)	Recordkeeping	25	1	\$0.00	\$0.00	\$4,520.00	\$4,520.00	\$4,520.00	\$113,000.00	0.00
Bank SBSDBs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	25	1	\$0.00	\$0.00	\$480.00	\$480.00	\$480.00	\$12,000.00	0.00
<b>TOTAL HOURLY COST FOR ALL RESPONDENTS</b>									<b>\$184,84000</b>	

The Commission believes that any initial dollar cost associated with Rule 18a-6 is already accounted for in the PRA estimate for Rule 18a-5, which includes the cost of recordkeeping system software. The Commission does not expect that Rule 18a-6 imposes any additional initial costs. Those requirements that are expected to impose an ongoing annual cost to the industry are discussed below.

**Stand-Alone SBSDBs and Stand-Alone MSBSPs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$5,720 per stand-alone SBSDB or stand-alone MSBSP. The Commission estimates that there are 10 respondents (nine stand-alone SBSDBs and four stand-alone MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$57,200 per year.**<sup>48</sup>

**Stand-Alone SBSDBs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$360 per stand-alone SBSDB. The Commission estimates that there are six respondents, resulting in an **estimated industry-wide ongoing annual cost of \$2,160 per year.**<sup>49</sup>

**Model Stand-Alone SBSDBs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$120 per stand-alone SBSDB authorized to use models.

<sup>48</sup> \$5,720 per firm x 13 stand-alone SBSDBs and stand-alone MSBSPs = \$74,360 per year.

<sup>49</sup> \$360 per firm x 6 stand-alone SBSDBs = \$2,160 per year.

The Commission estimates that there are four respondents, resulting in an **estimated industry-wide ongoing annual cost of \$480 per year.**<sup>50</sup>

**Bank SBSDs and Bank MSBSPs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$4,520 per bank SBSD or bank MSBSP. The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$113,000 per year.**<sup>51</sup>

**Bank SBSDs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$480 per bank SBSD. The Commission estimates that there are 25 respondents, resulting in an **estimated industry-wide ongoing annual cost of \$12,000 per year.**<sup>52</sup>

**Total Industry Costs Burden:** Therefore, the total currently-approved annual recordkeeping cost of Rule 18a-6 is **estimated to be \$184,840 per year.**<sup>53</sup>

**PROPOSED PARTIAL REVISION: New Costs Associated with the 2021 Proposed Amendments to Rule 18a-6.**<sup>54</sup>

As described above, the proposed amendments to Rule 18a-6(e) would add an audit-trail alternative to the current SBS Entity recordkeeping requirement.<sup>55</sup> The Commission also proposed amendments to this paragraph to require the SBS Entity to have a backup set of records when records are preserved on an electronic recordkeeping system.<sup>56</sup> The proposed amendments to Rule 18a-6(e) also would establish a requirement that a senior officer of the SBS Entity have access to the firm's records and provide the necessary undertakings.<sup>57</sup> The proposed amendments to Rule 18a-6(e) also would require an SBS Entity furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 18a-6(g), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.<sup>58</sup>

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<sup>50</sup> \$120 per firm x 4 stand-alone SBSDs authorized to use models = \$480 per year.

<sup>51</sup> \$4,520 per firm x 25 bank SBSDs and bank MSBSPs = \$113,000 per year.

<sup>52</sup> \$480 per firm x 25 bank SBSDs = \$12,000 per year.

<sup>53</sup> \$57,200 + \$2,160 + \$480 + \$113,000 + \$12,000 = \$184,840 per year.

<sup>54</sup> Throughout this section, to monetize the internal costs the Commission staff used data from the SIFMA publications, Management and Professional Earnings in the Securities Industry—2013, and Office Salaries in the Securities Industry—2013, modified by the Commission staff to account for an 1800 hour work-year and multiplied by 5.35 (professionals) or 2.93 (office) to account for bonuses, firm size, employee benefits and overhead. These figures have been adjusted for inflation through the end of 2020 using data published by the Bureau of Labor Statistics.

<sup>55</sup> See section II.D. of the 2021 *Electronic Recordkeeping Proposal* (discussing this proposed amendment).

<sup>56</sup> See section II.E. of the 2021 *Electronic Recordkeeping Proposal* (discussing this proposed amendment).

<sup>57</sup> *Id.*

<sup>58</sup> See section II.G. of the 2021 *Electronic Recordkeeping Proposal* (discussing this proposed amendment).

Based upon information provided to the Commission by the securities industry, the Commission estimates that the initial cost to build and implement a WORM-compliant electronic recordkeeping system for an SBS Entity is \$10 million, with an additional cost of \$1.2 million annually to maintain the system.<sup>59</sup> Consequently, the Commission estimates that the initial cost to build and implement an electronic recordkeeping system that meets the audit-trail requirement for an SBS Entity is \$1,000,000 (\$333,333 of annualized initial cost), with an additional cost of \$120,000 annually to maintain the system. There are 25 SBS Entities registered with the Commission that would be subject to this audit-trail alternative requirement. The Commission does not believe any of these firms will elect to build a WORM-compliant electronic recordkeeping system. Moreover, the Commission estimates that most of these firms have electronic recordkeeping systems that could meet the audit-trail requirement or that could be configured to meet that requirement without the need to build a new system. The Commission estimates that 4 of these firms would elect to build a new electronic recordkeeping system to meet the audit-trail requirement for an initial one-time industry cost of \$4,000,000 (\$1,333,333 of annualized initial cost) and an annual cost of \$480,000.

The Commission believes the initial and ongoing costs to establish backup electronic recordkeeping systems would be substantially less than the costs of the primary electronic recordkeeping systems because of the benefit of economies of scale for the backup system whereby common technology and personnel could be used for both systems. The Commission estimates that the costs for the 4 SBS Entities building a new system be \$250,000 in initial costs (\$83,333 of annualized initial cost) and \$30,000 in annual burdens and costs. Further, the Commission expects that the SBS Entities that have electronic recordkeeping systems that could meet the audit-trail requirement or that could be configured to meet that requirement without the need to build a new system also maintain backup recordkeeping systems for business continuity purposes. Therefore, the initial and annual costs would be incurred by the 4 firms that elect to build a new electronic recordkeeping system that meets that proposed audit-trail requirement. Consequently, the Commission estimates that the industry-wide costs and burdens for these firms would be \$1,000,000 in initial costs (\$333,333 of annualized initial cost) and \$120,000 in annual costs.

Name of Information Collection	Type of Burden	Summary of Cost Burdens					Total Burden (Initial + Annual) for all Respondents
		Number of Respondents	Initial Cost Burden per Respondent	Initial Cost for all Respondents	Annual Cost Burden per Respondent	Annual Burden for all Respondents	
Rule 18a-6(e) – Audit trail alternative to WORM for SBS Entities	Recordkeeping	4	\$1,000,000 (\$333,333 annualized)	\$4,000,000 (\$1,333,333 annualized)	\$120,000	\$480,000	\$1,813,333
Rule 18a-6(e) – Backup Recordkeeping	Recordkeeping	4	\$250,000 (\$83,333 annualized)	\$1,000,000 (\$333,333 annualized)	\$30,000	\$120,000	\$453,333

<sup>59</sup> See Petition 4-713 (Nov. 14, 2017) filed by the Securities Industry Financial Markets Association, Financial Services Roundtable, Futures Industry Association, International Swaps Derivatives Association, and Financial Services Institute available at <https://www.sec.gov/rules/petitions/2017/petn4-713.pdf> (“Rule 17a-4(f) Rulemaking Petition”). at 4-5.

g Systems for SBSDs							
						TOTAL	\$2,266,667

#### 14. Cost to Federal Government

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

#### 15. Changes in Burden

The proposed amendments to Rule 18a-6(e) would add an audit-trail alternative to the current SBS Entity recordkeeping requirement.<sup>60</sup> The Commission also proposed amendments to require the SBS Entities to have a backup set of records when records are preserved on an electronic recordkeeping system.<sup>61</sup> The proposed amendments to Rule 18a-6(e) also would establish a requirement that a senior officer of the SBS Entity have access to its records and provide the necessary undertakings.<sup>62</sup> The proposed amendments to Rule 18a-6(g) also would require a SBS Entity furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 18a-6(e), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.<sup>63</sup>

The Commission estimates that the establishment of a senior officer requirement would result in a one-time initial burden of one hour per firm, for a total of 44 hours under Rule 18a-6(e). The Commission also believes that the senior officer requirement would add an annual burden of one hour per firm, for a total of 44 hours for SBS Entities collectively.

Therefore, in aggregate, the Commission estimates that the proposed amendments to Rule 18a-6 would add an initial burden and annual burden of 44 hours.

Summary of Change in Hourly Burden (Annual)				
Name of Information Collection	Previously Approved Burden	New Estimated Burden	Change in Burden	Reason for the Change

<sup>60</sup> See section II.D. of the 2021 *Electronic Recordkeeping Proposal* (discussing this proposed amendment).

<sup>61</sup> See section II.E. of the 2021 *Electronic Recordkeeping Proposal* (discussing this proposed amendment).

<sup>62</sup> *Id.*

<sup>63</sup> See section II.G. of the 2021 *Electronic Recordkeeping Proposal* (discussing this proposed amendment).

Rule 18a-6(e) – Senior Officer amendment	0	44	44	Creation of the new senior officer undertaking requirement.
<b>TOTAL CHANGE IN BURDEN</b>				<b>44</b>

As described above, the proposed amendments to Rule 18a-6(e) would add an audit-trail alternative to the current SBS Entity recordkeeping requirement.<sup>64</sup> The Commission also proposed amendments to both of these paragraphs to require the SBS Entity to have a backup set of records when records are preserved on an electronic recordkeeping system.<sup>65</sup> The proposed amendments to Rule 18a-6(e) also would add a requirement that a senior officer of the SBS Entity have access the SBS Entity’s records and provide the necessary undertakings.<sup>66</sup> The proposed amendments to Rule 18a-6(g) also would require a SBS Entity furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 18a-6(e), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.<sup>67</sup>

Based upon information provided to the Commission by the securities industry, the Commission estimates that the initial cost to build and implement a WORM-compliant electronic recordkeeping system for an SBS Entity is \$10 million, with an additional cost of \$1.2 million annually to maintain the system.<sup>68</sup> Based on feedback from the securities industry, the Commission believes that the initial cost to build and implement an electronic recordkeeping system that meets the audit-trail requirements and the ongoing cost to maintain the system would be substantially lower than the analogous costs that would be incurred with respect to a WORM-compliant system.<sup>69</sup> Consequently, the Commission estimates that the initial cost to build and implement an electronic recordkeeping system that meets the audit-trail requirement for an SBS Entity is \$1,000,000 (\$333,333 of annualized one-time cost), with an additional cost of \$120,000 annually to maintain the system. The Commission estimates that there are 44 SBS Entities that are subject to Rule 18a-6(e). The Commission does not believe any of these firms will elect to build a WORM-compliant electronic recordkeeping system. Moreover, the Commission estimates that most of these firms have electronic recordkeeping systems that could meet the audit-trail requirement or that could be configured to meet that requirement without the need to

<sup>64</sup> See section II.D. of the *2021 Electronic Recordkeeping Proposal* (discussing this proposed amendment).

<sup>65</sup> See section II.E. of the *2021 Electronic Recordkeeping Proposal* (discussing this proposed amendment).

<sup>66</sup> *Id.*

<sup>67</sup> See section II.G. of the *2021 Electronic Recordkeeping Proposal* (discussing this proposed amendment)

<sup>68</sup> See Petition 4-713 (Nov. 14, 2017) filed by the Securities Industry Financial Markets Association, Financial Services Roundtable, Futures Industry Association, International Swaps Derivatives Association, and Financial Services Institute available at <https://www.sec.gov/rules/petitions/2017/petn4-713.pdf> (“Rule 17a-4(f) Rulemaking Petition”). at 4-5.

<sup>69</sup> See *e.g.* Rule 17a-4(f) Rulemaking Petition at 6-7.

build a new system. The Commission estimates that four of these firms would elect to build a new electronic recordkeeping system to meet the audit-trail requirement for an initial one-time industry cost of \$4,000,000 (\$1,333,333 of annualized one-time cost) and an annual cost of \$480,000.

The Commission believes the initial and ongoing costs to establish backup electronic recordkeeping systems would be substantially less than the costs of the primary electronic recordkeeping systems because of the benefit of economies of scale for the backup system whereby common technology and personnel could be used for both systems. The Commission estimates that the costs for the SBS Entities would be \$250,000 in initial costs (\$83,333 of annualized initial cost) and \$30,000 in annual costs. Further, the Commission expects that the SBS Entities that have electronic recordkeeping systems that could meet the audit-trail requirement or that could be configured to meet that requirement without the need to build a new system also maintain backup recordkeeping systems for business continuity purposes. Therefore, the initial and annual costs would be incurred by the 4 firms that elect to build a new electronic recordkeeping system that meets that proposed audit-trail requirement. Consequently, the Commission estimates that the industry-wide costs and burdens for these firms would be \$1,000,000 in initial costs (\$333,333 of annualized initial cost) and \$120,000 in annual costs.

Therefore, in aggregate, the Commission estimates that the proposed amendments to Rule 18a-6 would add an annualized initial cost of \$5,000,000<sup>70</sup> for SBS Entities.<sup>71</sup>

<b>Summary of Change in Cost (Annual)</b>				
<b>Name of Information Collection</b>	<b>Previously Approved Cost</b>	<b>New Estimated Cost</b>	<b>Change in Cost</b>	<b>Reason for the Change</b>
<b>Rule 18a-6(e) – Audit trail alternative to WORM for SBS Entities</b>	\$0	\$1813,333 <sup>72</sup>	\$1,813,333	New audit trail requirement for SBS Entities preserving records electronically
<b>Rule 18a-6(e) – Backup Recordkeeping Systems for SBS Entities</b>	\$0	\$453,333 <sup>73</sup>	\$453,333	New backup recordkeeping requirement for SBS Entities.
<b>TOTAL CHANGE IN COST</b>				<b>\$2,266,666</b>

<sup>70</sup> \$4,000,000 = \$1,000,000 = \$5,000,000.

<sup>71</sup> \$1,813,333 + \$453,333 = \$2,266,666

<sup>72</sup> \$1,333,333 + \$480,000 = \$1,813,333

<sup>73</sup> \$333,333 + \$120,000 = \$453,333

**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.