

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

**3235-0751**

**Proposed Partial Revision (in connection with Cybersecurity Risk Management Proposal)**

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.<sup>6</sup> The table below provides a summary of the new collections of information, noting the type of record that is

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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).

<sup>6</sup> In addition to the new collections of information established by the SBS Recordkeeping Release, additional risk mitigation recordkeeping requirements for SBS Entities were adopted on December 18, 2019. See *Risk Mitigation Techniques for Uncleared Security-Based Swaps*, Exchange Act Release No. 34-87782 (Dec.

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.

	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)	

18, 2019), 85 FR 6359 (Feb. 4, 2020) (“Risk Mitigation Adopting Release”). The Commission amended Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4), and (d)(5) to account for the security-based swap risk mitigation activities of SBS Entities, by, among other things, requiring the preserving of any required records regarding portfolio reconciliation (Rule 15Fi-3(a) and (b)), bilateral offsets (Rule 15Fi-4(a)(1)), bilateral or multilateral portfolio compression (Rule 15Fi-4(b) and (c)), valuation disputes (Rule 15Fi-3(c)), and written trading relationship documentation (Rule 15Fi-5). Rule 18a-6 does not require the firm to create these records or perform the underlying task required by the Rule. Rather, the burden to create these records and perform the underlying task is accounted for in Rule 15Fi-3 – 15Fi-5. Accordingly, the burdens imposed by the requirements in 18a-6 are to ensure these records related to risk mitigation are preserved for the requisite time period and produced when requested.

	Non-model stand-alone SBSDs	Model stand-alone SBSDs	Bank SBSDs	Stand-alone MSBSPs
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)
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)
Risk Mitigation	Rule 18a-6(b)(1)(i), (d)(4) and (d)(5)	Rule 18a-6(b)(1)(i), (d)(4) and (d)(5)	Rule 18a-6(b)(2)(i), (d)(4) and (d)(5)	Rule 18a-6(b)(1)(i), (d)(4) and (d)(5)
<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)

In October 2022, the Commission adopted amendments to the electronic recordkeeping requirements for SBS Entities in Rule 18a-6.<sup>7</sup> The October 2022 amendments to Rule 18a-6(e) added an audit-trail alternative to the current SBS Entity recordkeeping requirements.<sup>8</sup> The Commission also amended the rule to require the SBS Entity either to include a backup set of records or have other redundancy capabilities that are designed to ensure access to records preserved on an electronic recordkeeping system.<sup>9</sup> The amendments to Rule 18a-6(e) also establish a requirement that either a designated third party or a designated executive officer of the SBS Entity with access to records maintained and preserved on the SBS Entity's electronic recordkeeping system execute undertakings to furnish promptly to the Commission and other

<sup>7</sup> See *Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants*, Exchange Act Release No. 34-96034 (Oct. 12, 2022), 87 FR 66412 (Nov. 3, 2022) (“2022 Electronic Recordkeeping Adopting Release”).

<sup>8</sup> See section II.D. of the 2022 Electronic Recordkeeping Adopting Release (discussing this amendment).

<sup>9</sup> See section II.E. of the 2022 Electronic Recordkeeping Adopting Release (discussing this amendment).

regulators access to requested records or the requested records themselves.<sup>10</sup> The amendments to Rule 18a-6(g) also require a SBS Entity to 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>11</sup> The amendments to Rule 18a-6(f) provide an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.<sup>12</sup> The information collection associated with these amendments was previously approved by OMB on April 13, 2023.

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

In March 2023, the Commission proposed amendments to the recordkeeping requirements of SBS Entities in Rule 18a-6 in connection with a proposed cybersecurity risk management rule (“Rule 10”).<sup>13</sup> Rule 18a-6 would be amended to establish preservation and maintenance requirements for the written policy and procedures, annual reports, Parts I and II of proposed Form SCIR, and records required to be made pursuant to proposed Rule 10. The proposed amendments would specify that the Rule 10 records must be retained for three years. In the case of the written policies and procedures to address cybersecurity risks, the record would need to be maintained until three years after the termination of the use of the policies and procedures.

Specifically, proposed Rule 10 would require all SBS Entities (which are all Covered Entities) to: (1) establish, maintain, and enforce reasonably designed policies and procedures to address cybersecurity risks; (2) create written documentation of risk assessments; (3) create written documentation of any cybersecurity incident, including its response to and recovery from the incident; (4) prepare a written report each year describing its annual review of its policies and procedures to address cybersecurity risks; (5) provide immediate written notice of a significant cybersecurity incident; (6) report a significant cybersecurity incident on Part I of proposed Form SCIR; and (7) provide a written disclosure about its cybersecurity risks and significant cybersecurity incidents on Part II of proposed Form SCIR.<sup>14</sup> Consequently, proposed Rule 10 would require an SBS Entity to make several different types of records. The proposed cybersecurity rule would not include requirements specifying how long these records would need to be preserved and the manner in which they would need to be maintained. Instead, the proposed amendments to Rule 18a-6 would specify that the Rule 10 records must be retained for three years. In the case of the written policies and procedures to address cybersecurity risks, the

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<sup>10</sup> *Id.*

<sup>11</sup> *See* section II.G. of the 2022 Electronic Recordkeeping Adopting Release (discussing this amendment).

<sup>12</sup> *See* section II.G. of the 2022 Electronic Recordkeeping Adopting Release (discussing this amendment).

<sup>13</sup> *See Cybersecurity Risk Management Rule for Broker-Dealers, Clearing Agencies, Major Security-Based Swap Participants, the Municipal Securities Rulemaking Board, National Securities Associations, National Securities Exchanges, Security-Based Swap Data Repositories, Security-Based Swap Dealers, and Transfer Agents*, Release No. 34-97142 (Mar. 15, 2023) [88 FR 20212 (Apr. 5, 2023)] (“Cybersecurity Risk Management Rule Proposal”).

<sup>14</sup> An information collection associated with proposed Rule 10 and Form SCIR was previously submitted to OMB for review on April 12, 2023.

record would need to be maintained until three years after the termination of the use of the policies and procedures.

This Supporting Statement addresses the collections of information that were proposed to be added as a result of the proposal of Rule 10 in March 2023 regarding the 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 SBS Entities 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>15</sup> Because it sets minimum standards for the electronic storage media employed, Rule 18a-6 does not limit stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to using forms of electronic storage which may become obsolete as new technology is developed. The Commission believes that improvements in telecommunications and data processing technology may reduce any burdens that result from Rule 18a-6. The audit trail alternative in the rule is designed to account for technological advances in recordkeeping technologies.

## **4. Duplication**

Requiring SBS Entities 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 SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs preserve the information required in Rule 18a-6, as adopted, in order to ensure compliance with applicable Commission rules.

## **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

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<sup>15</sup> See paragraph (e)(2) of Rule 18a-6.

unlikely that any other entities that will register with the Commission in the future as SBSBs or MSBSPs will be “small entities.”<sup>16</sup> Thus, it is unlikely that the requirements under Rule 18a-6 will affect small entities.

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

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

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

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

## **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 March 2023.<sup>17</sup>

## **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

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<sup>16</sup> Section 601(b) of the Regulatory Flexibility Act (“RFA”) defines the term “*small entity*.” The statute, however, permits agencies to formulate their own definitions. The Commission has adopted definitions for the term “small entity” for the purposes of Commission rulemaking in accordance with the RFA. Those definitions, as relevant to this rulemaking, are set forth in 17 CFR 240.0-10. *See Statement of Management on Internal Accounting Control*, Exchange Act Release No. 18451 (Jan. 28, 1982), 47 FR 5215 (Feb. 4, 1982).

<sup>17</sup> *See* Cybersecurity Risk Management Rule Proposal.

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 information about individuals, therefore, a PIA, SORN, and PAS are not required.

## 12. Burden of Information Collection

### 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>18</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>19</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>20</sup> and an industry-wide ongoing annual burden of

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<sup>18</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>19</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>20</sup> 364 hours x 10 stand-alone SBSDs and stand-alone MSBSPs = 3,640 hours.

2,800hours (including the first year).<sup>21</sup> Over a three year period, **the total estimated industry burden is 12,040 hours,<sup>22</sup> or 4,013 hours when annualized.<sup>23</sup>**

**Stand-Alone SBSDs:** Rule 18a–6 requires three types of records to be preserved by stand-alone SBSDs.<sup>24</sup> Because the burden to create these records is accounted for in the PRA estimate for Rule 18a–5, the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that the relevant portions of paragraph (b)(1)(i) of Rule 18a–6 impose an initial burden of 44 hours per firm, and an ongoing annual burden of 30 hours per firm (including the first year). The Commission estimates that there are six stand-alone SBSDs, resulting in an industry-wide initial burden of 264 hours<sup>25</sup> and an industry-wide ongoing annual burden of 180hours (including the first year).<sup>26</sup> Over a three year period, **the total estimated industry burden is 804 hours,<sup>27</sup> or 268 hours when annualized.<sup>28</sup>**

**Model Stand-Alone SBSDs:** Rule 18a–6 requires records relating to credit risk determinations to be preserved by stand-alone SBSDs authorized to use models.<sup>29</sup> Because the burden of actually performing the underlying task and creating the written record is already accounted for in the PRA estimate for Rule 18a–1, the burden is the requirement to preserve these records for at least three years. The Commission estimates that paragraph (b)(1)(x) imposes an initial burden of 18 hours and an ongoing annual burden of 10 hours per stand-alone SBSD authorized to use models (including the first year). The Commission estimates that there are four stand-alone SBSDs authorized to use models, resulting in an industry-wide initial burden of 72 hours<sup>30</sup> and an industry-wide ongoing annual burden of 40 hours (including the first year).<sup>31</sup> Over a three year period, **the total estimated industry burden is 192 hours,<sup>32</sup> or 64 hours when annualized.<sup>33</sup>**

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<sup>21</sup> 280 hours x 10 stand-alone SBSDs and stand-alone MSBSPs = 2,800 hours.

<sup>22</sup> (3,640 hours + 2,800 hours) + 2,800 hours + 2,800 hours = 12,040 hours.

<sup>23</sup> 12,040 hours / 3 years = 4,013.33 hours per year.

<sup>24</sup> See paragraph (b)(1)(i) of Rule 18a–6 (cross-referencing paragraph (a)(13) of Rule 18a-5 (compliance with Rule 18a–4 possession or control requirements); paragraph (a)(14) of Rule 18a–5 (Rule 18a–4 reserve account computations); and paragraph (a)(16) of Rule 18a–5 (political contributions)).

<sup>25</sup> 44 hours x 6 stand-alone SBSDs = 264 hours.

<sup>26</sup> 30 hours x 6 stand-alone SBSDs = 180 hours.

<sup>27</sup> (264 hours + 180 hours) + 180 hours + 180 hours = 804 hours.

<sup>28</sup> 804 hours / 3 years = 268 hours per year.

<sup>29</sup> See Rule 18a–6 (paragraph (b)(1)(x) (credit risk determinations)).

<sup>30</sup> 18 hours x 4 stand-alone SBSDs authorized to use models = 72 hours.

<sup>31</sup> 10 hours x 4 stand-alone SBSDs authorized to use models = 40 hours.

<sup>32</sup> (72 hours + 40 hours) + 40 hours + 40 hours = 192 hours.

<sup>33</sup> 192 hours / 3 years = 64 hours per year.

**Bank SBSDs and Bank MSBSPs:** Rule 18a–6 requires 18 types of records to be preserved by bank SBSDs and bank MSBSPs, all of which are limited to the firm’s business as an SBSD or MSBSP.<sup>34</sup> Rule 18a–6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. Therefore, after consideration of the similar burdens imposed by Rule 17a–4, as amended, the Commission estimates that Rule 18a–6 imposes on bank SBSDs and bank MSBSPs an initial burden of 247 hours per firm and an ongoing burden of 190 hours per firm (including the first year). The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an estimated industry-wide initial burden of 6,175 hours<sup>35</sup> and an industry-wide ongoing annual burden of 4,750 hours (including the first year).<sup>36</sup> Over a three year period, **the total estimated industry burden is 20,425 hours,<sup>37</sup> or 6,808 hours when annualized.<sup>38</sup>**

**Bank SBSDs:** Rule 18a–6 requires four types of records to be preserved by bank SBSDs, all of which are limited to the firm’s business as an SBSD.<sup>39</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

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<sup>34</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 (accountholder information); paragraph (b)(2)(i), cross-referencing paragraph (b)(11) of Rule 18a–5 (unverified transactions); paragraph (b)(2)(i), cross-referencing paragraph (b)(13) of Rule 18a–5 (compliance with business conduct requirements); paragraph (b)(2)(ii) (communications); paragraph (b)(2)(iii) (account documents); paragraph (b)(2)(iv) (written agreements); paragraph (b)(2)(vi) (Regulation SBSR information); paragraph (b)(2)(vii) (records relating to business conduct standards); paragraph (b)(2)(viii) (special entity documents); paragraph (d)(1) (associated person’s employment application); paragraph (d)(2)(ii) (regulatory authority reports); paragraph (d)(3)(ii) (compliance, supervisory, and procedures manuals)).

<sup>35</sup> 247 hours x 25 bank SBSDs = 6,175 hours.

<sup>36</sup> 190 hours x 25 bank SBSDs = 4,750 hours.

<sup>37</sup> (6,175 hours + 4,750 hours) + 4,750 hours + 4,750 hours = 20,425 hours.

<sup>38</sup> 20,425 hours / 3 years = 6,808.33 hours per year.

<sup>39</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)).

that there are 25 bank SBSBs, resulting in an industry-wide initial burden of 1,425 hours<sup>40</sup> and an industry-wide ongoing annual burden of 1,000 hours.<sup>41</sup> Over a three year period, **the total estimated industry burden is 4,425 hours, <sup>42</sup> or 1,475 hours when annualized.**<sup>43</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>44</sup> The obligation to provide documents upon the Commission's request does not impose a new burden, since this requirement merely changes the respondent's identity rather than adding to the quantity of burdens. Thus, the burden is the requirement is to prepare and file a written undertaking. The Commission estimates that 50% of the 35 non-broker-dealer SBSBs and non-broker-dealer MSBSPs 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>45</sup>

**Risk Mitigation Activities:** The Commission amended Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4), and (d)(5) to account for the security-based swap risk mitigation activities of SBS Entities, by, among other things, requiring the preserving of any required records regarding portfolio reconciliation (Rule 15Fi-3(a) and (b)), bilateral offsets (Rule 15Fi-4(a)(1)), bilateral or multilateral portfolio compression (Rule 15Fi-4(b) and (c)), valuation disputes (Rule 15Fi-3(c)), and written trading relationship documentation (Rule 15Fi-5). Rule 18a-6 does not require the firm to create these records or perform the underlying task required by the Rule. Rather, the burden to create these records and perform the underlying task is accounted for in Rule 15Fi-3 – 15Fi-5.<sup>46</sup> Accordingly, the burdens imposed by the requirements in 18a-6 are to ensure these records related to risk mitigation are preserved for the requisite time period and produced when requested. The Commission estimates that these recordkeeping requirements will impose an initial burden of 60 hours per firm for updating the applicable policies and systems required to account for capturing the additional records made pursuant to Rule 15Fi-3 through 15Fi-5, and an ongoing annual burden of 75 hours per firm for maintaining such records as well as to make additional updates to the applicable recordkeeping policies and systems to account for the new rules. The Commission estimates that there are 38 SBS Entity respondents, **for a total average initial annual burden for all respondents of 2,280 hours<sup>47</sup> and a total ongoing average annual burden of 2,850 hours.**<sup>48</sup>

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<sup>40</sup> 57 hours x 25 bank SBSBs = 1,425 hours.

<sup>41</sup> 40 hours x 25 bank SBSBs = 1,000 hours.

<sup>42</sup> (1,425 hours + 1,000 hours) + 1,000 hours + 1,000 hours = 4,425 hours.

<sup>43</sup> 4,425 hours / 3 years = 1,475 hours per year.

<sup>44</sup> See paragraph (f) of Rule 18a-6, as adopted.

<sup>45</sup> 2 hours x 17.5 written undertakings = 35 hours per year.

<sup>46</sup> See Risk Mitigation Adopting Release, 85 FR at 6389.

<sup>47</sup> One-time initial reporting burden for 38 SBS Entities (60 hour x 38 SBS Entities) = 2,280 hours.

<sup>48</sup> 75 hour x 38 SBS Entities = 2,850 hours.

**October 2022 Amendments:** The October 2022 amendments to Rule 18a-6(e) added an audit-trail alternative to the current SBS Entity recordkeeping requirements.<sup>49</sup> The Commission also amended the rule to require the SBS Entity either to include a backup set of records or have other redundancy capabilities that are designed to ensure access to records preserved on an electronic recordkeeping system.<sup>50</sup> The amendments to Rule 18a-6(e) also establish a requirement that either a designated third party or a designated executive officer of the SBS Entity with access to records maintained and preserved on the SBS Entity’s electronic recordkeeping system execute undertakings to furnish promptly to the Commission and other regulators access to requested records or the requested records themselves.<sup>51</sup> The amendments to Rule 18a-6(g) also require a SBS Entity to 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>52</sup> The amendments to Rule 18a-6(f) provide an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.<sup>53</sup>

The Commission estimates that the establishment of a designated third party or designated executive officer undertakings requirement for the 19 SBS Entities subject to the rule will result in an annual burden of one hour per firm, for a total of 19 hours under Rule 18a-6(e).<sup>54</sup> In addition, the Commission estimates that the alternative electronic recordkeeper undertaking will result in a one-time initial burden of 1 hour per affected SBS Entity, for a total of 10 hours.<sup>55</sup> Finally, the Commission estimates that the need for the five cloud service providers to review and execute the Alternative Undertaking will result in a one-time initial burden of 1 hours per provider, for a total of 5 hours.<sup>56</sup>

**Total Industry Hour Burden: The total annualized burden is estimated to be 16,272.67 hours.**

Summary of Hourly Burdens										
		A.	B.	C.	D.	E.	F.	G.		

<sup>49</sup> See section II.D. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>50</sup> See section II.E. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>51</sup> *Id.*

<sup>52</sup> See section II.G. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>53</sup> See section II.G. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>54</sup> One-time initial reporting burden for 19 SBS Entities (1 hour x 19 SBS Entities) = 19 hours.

<sup>55</sup> One-time initial recordkeeping burden for 10 SBS Entities (1 hour x 10 SBS Entities) = 10 hours.

<sup>56</sup> One-time initial reporting burden for five cloud service providers: (1 hour x five cloud service providers) = 5 hours.

Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone 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	364.00	121.33	280.00	401.33	401.33	4,013.33	0.00
Stand-alone SBSDBs: 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 SBSDBs: Paragraph (b)(1)(x)	Recordkeeping	4	1	18.00	6.00	10.00	16.00	16.00	64.00	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	247.00	82.33	190.00	272.33	272.33	6,808.33	0.00
Bank SBSDBs: 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>57</sup>	0.00
Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4) and (d)(5) SBS Entities (Risk Mitigation Activities)	Recordkeeping	38	1	60	20	75	95	95	3,610	0.00
Rule 18a-6(e) – Third Party or Designated Executive Officer Undertaking amendment	Recordkeeping	19	1	0	0	1	1	1	19	0.00
Alternative undertaking – SBS Entities	Recordkeeping	10	1	1	1	1	1	1	10	0.00
Alternative undertaking – Cloud Service Providers	Reporting	5	1	1	1	1	1	1	5	0.00
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>									<b>16,272.67</b>	

**PARTIAL REVISIONS: New Burdens Associated with the Cybersecurity Risk Management Rule Proposal**

In March 2023, the Commission proposed amendments to the recordkeeping requirements of SBS Entities in Rule 18a-6 in connection with proposed Rule 10. Specifically, Rule 18a-6 would be amended to establish preservation and maintenance requirements for the written policy and procedures, annual reports, Parts I and II of proposed Form SCIR, and records required to be made pursuant to proposed Rule 10. The proposed amendments would specify that the Rule 10 records must be retained for three years. In the case of the written policies and procedures to address cybersecurity risks, the record would need to be maintained until three years after the termination of the use of the policies and procedures.

<sup>57</sup> This number is 36 hours in ROCIS because the calculation for the number of estimates respondents (50 percent of non-broker-dealer SBSDBs and MBSDs) resulted in a fractional number and ROCIS will only accept a whole number of respondents.

As of January 2023, there were 50 SBS Entities registered with the Commission.<sup>58</sup> The Commission has made certain estimates of the burdens associated with the proposed record preservation requirements. The table below summarizes the initial and ongoing annual burden with the additional recordkeeping requirements.

Summary of Hourly Burdens										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
SBS Entities - Retention of cybersecurity policies and procedures	Recordkeeping	50	1	0	0	1	1	1	50	0.00
SBS Entities – Retention of written report documenting annual review	Recordkeeping	50	1	0	0	1	1	1	50	0.00
SBS Entities – Retention of copy of any Form SCIR or immediate notice to the Commission	Recordkeeping	50	1	0	0	1	1	1	50	0.00
SBS Entities – Retention of records documenting a cybersecurity incident	Recordkeeping	50	1	0	0	1	1	1	50	0.00
SBS Entities – Retention of records documenting a Covered Entity’s cybersecurity risk assessment	Recordkeeping	50	1	0	0	1	1	1	50	0.00
SBS Entities – Retention of copy of any public disclosures	Recordkeeping	50	1	0	0	1	1	1	50	0.00
<b>TOTAL HOURLY BURDEN FOR ALL RESPONDENTS</b>									<b>300</b>	

<sup>58</sup> See List of Registered Security-Based Swap Dealers and Major Security-Based Swap Participants, available at: <https://www.sec.gov/tm/List-of-SBS-Dealers-and-Major-SBS-Participants>.

### 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										
Name of Information Collection	Type of Burden	A.	B.	C.	D.	E.	F.	G.	Total Industry Cost	Small Business Entities Affected
		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		
					[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
Rule 18a-6(e) – Audit trail alternative to WORM for SBS Entities	Recordkeeping	2	1	\$1,000,000	\$333,333	\$120,000	\$453,333	\$453,333	\$906,666	0.00
Rule 18a-6(e) – Backup Recordkeeping Systems for SBSDBs	Recordkeeping	2	1	\$250,000	\$83,333	\$30,000	\$113,333	\$113,333	\$226,666	0.00
Rule 18a-6(e) – Third party or Designated Executive Officer Undertaking	Recordkeeping	19	1	\$497	\$165.67	\$497	\$662.67	\$662.67	\$12,590.73	0.00
Alternative undertaking – SBS Entities	Recordkeeping	10	1	\$497	\$165.67	\$0	\$165.67	\$165.67	\$1,656.70	0.00
Alternative undertaking – Cloud Service Providers	Reporting	5	1	\$497	\$165.67	\$0	\$165.67	\$165.67	\$828.35	0.00
<b>TOTAL HOURLY COST FOR ALL RESPONDENTS</b>									<b>\$1,333,247.78</b>	

**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

SBSDs and four stand-alone MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$57,200 per year.**<sup>59</sup>

**Stand-Alone SBSBs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$360 per stand-alone SBSB. The Commission estimates that there are six respondents, resulting in an **estimated industry-wide ongoing annual cost of \$2,160 per year.**<sup>60</sup>

**Model Stand-Alone SBSBs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$120 per stand-alone SBSB authorized to use models. The Commission estimates that there are four respondents, resulting in an **estimated industry-wide ongoing annual cost of \$480 per year.**<sup>61</sup>

**Bank SBSBs and Bank MSBSPs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$4,520 per bank SBSB or bank MSBSP. The Commission estimates that there are 25 respondents (25 bank SBSBs and no bank MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$113,000 per year.**<sup>62</sup>

**Bank SBSBs:** The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$480 per bank SBSB. The Commission estimates that there are 25 respondents, resulting in an **estimated industry-wide ongoing annual cost of \$12,000 per year.**<sup>63</sup>

**October 2022 Amendments:** The October 2022 amendments to Rule 18a-6(e) added an audit-trail alternative to the existing SBS Entity recordkeeping requirements.<sup>64</sup> The Commission amended this paragraph to require an SBS Entity either to include a backup set of records or have other redundancy capabilities that are designed to ensure access to records preserved on an electronic recordkeeping system.<sup>65</sup> The amendments to Rule 18a-6(e) also establish a requirement that either a designated third party or a designated executive officer of the SBS Entity with access to records maintained and preserved on the SBS Entity's electronic recordkeeping system execute undertakings to furnish promptly to the Commission and other regulators access to requested records or the requested records themselves.<sup>66</sup> The amendments to Rule 18a-6(g) also require a SBS Entity to furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 18a-6(e), respectively, in a

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<sup>59</sup> \$5,720 per firm x 13 stand-alone SBSBs and stand-alone MSBSPs = \$74,360 per year.

<sup>60</sup> \$360 per firm x 6 stand-alone SBSBs = \$2,160 per year.

<sup>61</sup> \$120 per firm x 4 stand-alone SBSBs authorized to use models = \$480 per year.

<sup>62</sup> \$4,520 per firm x 25 bank SBSBs and bank MSBSPs = \$113,000 per year.

<sup>63</sup> \$480 per firm x 25 bank SBSBs = \$12,000 per year.

<sup>64</sup> See section II.D. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>65</sup> See section II.E. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

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

reasonably usable electronic format, if requested by a representative of the Commission.<sup>67</sup> The amendments to Rule 18a-6(f) provide an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.<sup>68</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>69</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 will be substantially lower than the analogous costs that are incurred with respect to a WORM-compliant system.<sup>70</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 2 SBS Entities registered with the Commission that will be subject to paragraph (e)(2) of Rule 18a-6. The Commission does not believe either of these firms will elect to build a WORM-compliant electronic recordkeeping system. Moreover, the Commission estimates that both of these firms have electronic recordkeeping systems that can meet the audit-trail requirement or that can be configured to meet that requirement without the need to build a new system. The Commission does not believe that either of these firms will elect to build a new electronic recordkeeping system to meet the audit-trail requirement.

The Commission believes the initial and ongoing costs to meet the requirement that an SBS Entity electing to use an electronic recordkeeping system either: (1) include a backup electronic recordkeeping system that meets the other requirements for electronic recordkeeping systems and that retains the records required to be maintained and preserved pursuant to Rules 18a-5 and 18a-6 in accordance with the relevant rules in a manner that will serve as a redundant set of records if the original electronic recordkeeping system is temporarily or permanently inaccessible; or (2) have other redundancy capabilities that are designed to ensure access to the records required to be maintained and preserved pursuant to Rules 18a-5 and 18a-6 will 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 2 SBS Entities that are subject to paragraph (e)(2) of Rule 18a-6 will 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

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<sup>67</sup> See section II.G. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>68</sup> See section II.G. of the *2022 Electronic Recordkeeping Adopting Release* (discussing this amendment).

<sup>69</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>70</sup> See *e.g.* Rule 17a-4(f) Rulemaking Petition at 6-7.

purposes. Therefore, the initial and annual costs will be incurred by the 2 firms that elect to build a new electronic recordkeeping system that meets the audit-trail requirement. Consequently, the Commission estimates that the industry-wide costs and burdens for these firms will be \$500,000 in initial costs (\$166,667 of annualized initial cost) and \$60,000 in annual costs.

The amendments to Rule 18a-6 add a requirement that either a Designated Third Party or a Designated Executive Officer complete the access and undertakings requirements in a manner analogous to the requirements of Rule 17a-4(f), as amended. The Commission estimates that the addition of a senior officer or third-party undertakings requirement for SBS Entities will result in a one-time initial cost of \$9,443 for SBS Entities under Rule 18a-6(e).<sup>71</sup> The Commission also believes that the Designated Third Party or Designated Executive Officer undertakings requirement will add an annual cost of \$9,443 for SBS Entities, collectively.<sup>72</sup>

The Commission estimates that the alternative electronic recordkeeping undertaking will result in a one-time initial cost to affected SBS Entities of \$4,970.<sup>73</sup> Finally, the Commission estimates that the need for the five cloud service providers to review and execute the Alternative Undertaking will result in a one-time initial cost of \$2,485.<sup>74</sup>

**Total Industry Costs Burden:** Therefore, the total currently-approved annual recordkeeping cost of Rule 18a-6 is estimated to be \$1,333,247.78 per year.

### **PARTIAL REVISIONS: New Costs Associated with the Cybersecurity Risk Management Rule Proposal**

The Commission does not anticipate any additional external costs associated with the amendments to 18a-6 pursuant to the Cybersecurity Risk Management Proposal. All costs to comply with the proposed record retention requirements are estimated to be in-house at the SBS Entity.

#### **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**

All changes in hourly burdens are as a result of the amendments to Rule 18a-6 that were proposed in the Cybersecurity Risk Management Rule Proposal.

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<sup>71</sup> 19 hours x \$497 per hour (at the controller hourly rate) = \$9,443.

<sup>72</sup> 19 hours x \$497 per hour (at the controller hourly rate) = \$9,443.

<sup>73</sup> One-time initial recordkeeping cost for 10 SBS Entities (1 hour x 10 SBS Entities) x \$497 per hour (at the controller hourly rate) = \$4,970.

<sup>74</sup> One-time initial reporting cost for five cloud service providers: (2 hours x five cloud service providers) x \$497 per hour (at the controller hourly rate) = \$2,485.

<b>Summary of Change in Hourly Burden (Annual)</b>				
<b>Name of Information Collection</b>	<b>Previously Reviewed Burden</b>	<b>New Estimated Burden (Industry Wide)</b>	<b>Change in Burden</b>	<b>Reason for the Change</b>
SBS Entities - Retention of cybersecurity policies and procedures	0	50	50	Creation of this new requirement (proposed under the Cybersecurity Risk Management Rule Proposal)
SBS Entities – Retention of written report documenting annual review	0	50	50	Creation of this new requirement (proposed under the Cybersecurity Risk Management Rule Proposal)
SBS Entities – Retention of copy of any Form SCIR or immediate notice to the Commission	0	50	50	Creation of this new requirement (proposed under the Cybersecurity Risk Management Rule Proposal)
SBS Entities – Retention of records documenting a cybersecurity incident	0	50	50	Creation of this new requirement (proposed under the Cybersecurity Risk Management Rule Proposal)
SBS Entities – Retention of records documenting a Covered Entity’s cybersecurity risk assessment	0	50	50	Creation of this new requirement (proposed under the Cybersecurity Risk Management Rule Proposal)
SBS Entities – Retention of copy of any public disclosures	0	50	50	Creation of this new requirement (proposed under the Cybersecurity Risk Management Rule Proposal)
<b>TOTAL CHANGE IN BURDEN</b>				<b>300</b>

As noted above, the Commission does not anticipate any change in the cost burdens for 18a-6 as a result of the amendments pursuant to the Cybersecurity Risk Management Rule Proposal.

**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.