

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Rule 15c6-2

Request for New OMB Control No. 3235-XXXX

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

A. JUSTIFICATION

1. Necessity of Information Collection

Legal Requirements

i. Exchange Act

Section 17A of the Securities Exchange Act of 1934 (“Exchange Act”) directs the Securities and Exchange Commission (“Commission”) to facilitate the establishment of (i) a national system for the prompt and accurate clearance and settlement of securities transactions and (ii) linked or coordinated facilities for clearance and settlement of securities transactions.¹ In facilitating the establishment of the national clearance and settlement system, the Commission must have due regard for the public interest, the protection of investors, the safeguarding of securities and funds, and maintenance of fair competition among brokers and dealers, clearing agencies, and transfer agents.²

Promoting the timely, orderly, and efficient settlement of securities transactions has been a longstanding Commission objective.³ To advance this objective, the Commission first took steps in 1993 to establish a standard requiring the settlement of most securities transactions within three business days of trade date (“T+3”), shortening the prevailing practice at the time of settling securities transactions within five business days of trade date (“T+5”).⁴ The Commission has on multiple occasions discussed how shortening the settlement cycle can protect investors, reduce risk in the financial system, and increase operational efficiency in the securities market.⁵ In 2017, the Commission shortened the standard

¹ See 15 U.S.C. 78q-1(a)(2); see also Report of the Senate Committee on Banking, Housing & Urban Affairs, S. Rep. No. 94-75, at 4 (1975) (urging that “[t]he Committee believes the banking and security industries must move quickly toward the establishment of a fully integrated national system for the prompt and accurate processing and settlement of securities transactions”).

² See 15 U.S.C. 78q-1(a)(2)(A).

³ See Exchange Act Release No. 94196, Investment Advisers Act Release No. 5957 (Feb. 9, 2022), 87 FR 10436 (Feb. 24, 2022) (“T+1 Proposing Release”).

⁴ See Exchange Act Release No. 33023 (Oct. 6, 1993), 58 FR 52891 (Oct. 13, 1993) (“T+3 Adopting Release”).

⁵ See, e.g., Exchange Act Release No. 31904 (Feb. 23, 1993) 58 FR 11806 (Mar. 1, 1993) (“T+3 Proposing Release”); T+3 Adopting Release, *supra* note 4; Exchange Act Release No. 78962 (Sept. 28, 2016), 81 FR 69240 (Oct. 5, 2016) (“T+2 Proposing Release”); Exchange Act Release No. 80295 (Mar. 22, 2017), 82 FR 15564, 15601

settlement cycle from T+3 to T+2.⁶ Now, in part informed by episodes in 2020 and 2021 of increased market volatility that highlighted potential vulnerabilities in the U.S. securities market,⁷ the Commission believes that shortening the settlement cycle from T+2 to T+1 can promote investor protection, reduce risk, and increase operational and capital efficiency.⁸

As discussed in the T+1 Proposing Release,⁹ the Commission believes that substantial progress has been made toward identifying the technological and operational changes that are necessary to establish a T+1 settlement cycle, including the industry-level changes that would be necessary to transition from a T+2 standard to a T+1 standard settlement cycle. The Commission also discussed how additional regulatory steps were necessary to improve the processing of institutional transactions, advancing two other longstanding objectives shared by the Commission and the securities industry: the completion of trade allocations, confirmations, and affirmations on trade date (an objective often referred to as “same-day affirmation”) and the straight-through processing of securities transactions.¹⁰ Accordingly, the Commission proposed a combination of rule amendments and new rules to shorten the standard settlement cycle to T+1, establish new requirements for broker-dealers and investment advisers designed to advance the same-day affirmation objective, and to establish requirements for CMSPs to promote straight-through processing.¹¹

This Supporting Statement concerns the final rule regarding the same-day affirmation objective, which has been a longstanding goal of the securities industry and one that can help ensure the timely and orderly settlement of securities transactions.

ii. Final Rule 15c6-2

As part of the final set of rules to achieve a further shortening of the standard settlement cycle for securities transactions from two business days after the transaction date to one business day following the transaction date, Rule 15c6-2 requires a broker-dealer to either enter into written agreements as specified in the rule or establish, maintain, and enforce written policies and procedures reasonably designed to address certain objectives related to completing

(Mar. 29, 2017) (“T+2 Adopting Release”); T+1 Proposing Release, supra note 3.

⁶ See T+2 Adopting Release, supra note 5.

⁷ See T+1 Proposing Release, supra note 3, at 10444 n.61.

⁸ As stated in the T+1 Proposing Release, the Investor Advisory Committee recommended in 2015 that the Commission pursue T+1 (rather than T+2), noting that retail investors would significantly benefit from a T+1 standard settlement cycle. See id. at 10439 & nn.28–29.

⁹ See id. at 10447.

¹⁰ As discussed in the T+1 Proposing Release, the Commission uses “straight-through processing,” or “STP,” to refer generally to processes that allow for the automation of the entire trade process from trade execution through settlement without manual intervention. See id. at 10458; see also infra note **Error! Bookmark not defined.** and accompanying text.

¹¹ See T+1 Proposing Release, supra note 3, at 10436.

allocations, confirmations, and affirmations as soon as technologically practicable and no later than the end of trade date.¹²

For a broker-dealer that determines to establish, maintain, and enforce written policies and procedures pursuant to Rule 15c6-2(a), such policies and procedures must

- (a) identify and describe any technology systems, operations, and processes used to coordinate with other relevant parties, including investment advisers and custodians, to ensure completion of the allocation, confirmation, or affirmation process for the transaction,
- (b) set target time frames on trade date for completing the allocation, confirmation, and affirmation for the transaction,
- (c) describe procedures for communicating trade information promptly, investigating any discrepancies in trade information, and adjusting trade information to help ensure that the allocation, confirmation, and affirmation can be completed by the target time frames on trade date,
- (d) describe how the broker-dealer plans to identify and address delays if another party, including an investment adviser or a bank custodian, is not promptly completing the allocation or affirmation for the transaction, or if the broker-dealer experiences delays in promptly completing the confirmation, and
- (e) measure, monitor, and document the rates of allocations, confirmations, and affirmations completed as soon as technologically practicable and no later than the end of the day on trade date.

2. Purpose and Use of Information Collection

The purpose of the collection under Rule 15c6-2 is to ensure that parties to institutional transactions – that is, transactions where a broker-dealer or its customer must engage with agents of the customer, including the customer’s investment adviser or its securities custodian, to prepare a transaction for settlement – can ensure the completion of the allocation, confirmation, and affirmation process as soon as technologically practicable and no later than the end of the day on trade date.

3. Consideration Given to Information Technology

As a general matter, the collection of information contemplated by Rule 15c6-2 depends on the use of technologies and systems that a broker-dealer already maintains to conduct its business, including its risk management and recordkeeping functions. Improvements to these technologies and systems may, over time, reduce the burdens contemplated under Rule 15c6-2.

¹² See 17 CFR 240.17Ad-27; Exchange Act Release No. 96930 (Feb. 15, 2023) 88 FR 13872 (Mar. 6, 2023) (“Rule 15c6-2 Adopting Release”); see also Exchange Act Release No. 94196 (Feb. 9, 2022), 87 FR 10436 (Feb. 24, 2022) (“Rule 15c6-2 Proposing Release”).

4. Duplication

The information collections described in this supporting statement do not duplicate information required to be collected by other Commission rules or regulations.

5. Effect on Small Entities

For the purposes of Commission rulemaking and as applicable to Rule 15c6-2, a small entity includes, when used with reference to broker-dealers, a broker or dealer (i) with total capital (net worth plus subordinated liabilities) of less than \$500,000 on the date in the prior fiscal year as of which its audited financial statements were prepared pursuant to Rule 17a-5(d) under the Exchange Act,¹³ or if not required to file such statements, a broker-dealer with total capital (net worth plus subordinated liabilities) of less than \$500,000 on the last business day of the preceding fiscal year (or in the time that it has been in business, if shorter), and (ii) is not affiliated with any person (other than a natural person) that is not a small business or small organization.¹⁴

Final Rule 15c6-2 imposes recordkeeping requirements on broker-dealers that are small entities because it includes a requirement to establish, maintain, and enforce written policies and procedures reasonably designed to ensure the completion on trade of trade allocations, confirmations, and affirmations for their institutional trades. In addition, the rule may impact certain broker-dealers, including those that are small entities, to the extent that broker-dealers may need to make changes to their business operations and incur certain costs in order to implement such policies and procedures. These efforts may require broker-dealers, including those that are small entities, to make changes to their business practices, as well as to their computer systems, and/or to deploy new technology solutions. Implementation of these changes may require broker-dealers to incur new or increased costs, which may vary based on the business model of individual broker-dealers as well as other factors. Based on FOCUS Report data, the Commission estimates that, as of June 30, 2022, approximately 1,393 broker-dealers might be deemed small entities for purposes of this analysis.

6. Consequences of Not Conducting Collection

The consequences of not conducting collections of information or any less frequent collections of information pursuant to Rule 15c6-2, would significantly impair the Commission's ability to carry out its statutory obligations under the Exchange Act as amended by the Dodd-Frank Act.

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

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

¹³ See 17 CFR 240.17a-5(c)

¹⁴ See 17 CFR 240.0-10(d)

8. Consultations Outside the Agency

The Commission has issued a notice to solicit comment regarding the collection of information requirements and associated paperwork burdens for Rule 15c6-2.¹⁵

Comments on Commission releases are generally received from registrants, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges.

9. Payment or Gift

No payment or gift will be provided to any respondents.

10. Confidentiality

The recordkeeping burdens under this information collection generally need not be submitted to the Commission, though the Commission may request that the records be provided, such as during an inspection or examination of a respondent. When the Commission requests that records be provided, a respondent can request confidential treatment pursuant to Section 24(b) of the Exchange Act and 17 CFR 240.24b-2.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection does not collect personally identifiable information. The agency has determined that a system of records notice and privacy impact assessment are not required in connection with the collection of information.

12. Information Collection Burden

Rule 15c6-2 creates a new hour burden. Below is a summary of the hour burden estimate for Rule 15c6-2.

Summary of Burden Estimates for Rule 15c6-2

i. Number of Respondents

As of December 31, 2021, 3,508 broker-dealers were registered with the Commission.¹⁶ Of those, approximately 143 broker-dealers are participants of the DTC,¹⁷ a clearing agency registered with the Commission that provides central securities depository services for transactions in U.S. equity securities. Participants in DTC can facilitate the settlement of

¹⁵ See 88 FR 47526 (July 24, 2023).

¹⁶ This estimate is derived from FOCUS Report data as of December 31, 2021.

¹⁷ See DTCC, DTC Member Directories, <https://www.dtcc.com/client-center/dtc-directories> (last updated Dec. 30, 2022).

securities transactions on behalf of their customers. For example, broker-dealers that participate in DTC are often referred to as “clearing brokers” within the securities industry. In addition to broker-dealers, DTC participants include bank custodians that may also hold securities on behalf of institutional customers. Among other things, DTC facilitates the settlement of securities transactions using the delivery-versus-payment (“DVP”) and receipt-versus-payment (“RVP”) methods, both of which are commonly used by buyers and sellers to settle an institutional transaction once the parties have completed the allocation, confirmation, and affirmation process. Because DTC is the only clearing agency that provides central securities depository services for U.S. equities, the Commission believes that the set of participants at DTC that are broker-dealers are a useful, if partial, estimate of broker-dealers that participate in the allocation, confirmation, and affirmation process and therefore of broker-dealers that would be subject to the requirements of Rule 15c6-2.

In addition, other broker-dealers may participate in the allocation, confirmation, and affirmation process but, because they do not maintain status as a participant in DTC, rely on commercial relationships with DTC participants (i.e., clearing brokers) to facilitate final settlement of their institutional transactions. Using annual statistics compiled by the Financial Industry Regulatory Authority (“FINRA”), the Commission estimates that approximately 268 additional broker-dealers may serve institutional customers.¹⁸ Accordingly, the Commission estimates that approximately 411 broker-dealers would be subject to the requirements of Rule 15c6-2.¹⁹

ii. Source of Estimates, Annual Hour Burden, and Explanation of Estimates for Rule 15c6-2

Requirements in Rule 15c6-2 that Impose a PRA Burden

The extent to which a respondent will be burdened by the collection of information under Rule 15c6-2 will depend on two factors: (1) the extent to which the broker-dealer determines that its policies and procedures, as opposed to its written agreements, will be required to demonstrate compliance with the rule; and (2) the extent to which existing policies and procedures for ensuring timely settlement would need to be modified to address same-day affirmation. As a general matter, most broker-dealers maintain policies and procedures to ensure the timely settlement of their transactions, and the securities industry considers achieving “same-day affirmation” an industry best practice. Nonetheless, the Commission believes that respondent broker-dealers will need to evaluate existing policies and procedures, identify any gaps, and then update their policies and procedures to address any gaps identified. Accordingly, the Commission estimates that respondent broker-dealers would incur an aggregate one-time burden

¹⁸ Specifically, statistics compiled by FINRA suggest that approximately 256 small firms and 12 medium-sized firms in the “Trading and Execution” category perform “Institutional Brokerage.” FINRA, 2022 FINRA Industry Snapshot 33, 34 (2022), <https://www.finra.org/sites/default/files/2022-03/2022-industry-snapshot.pdf>.

¹⁹ Because the Commission has derived the number of respondents using data sources other than the FOCUS Report, the Commission assumes for purposes of this PRA Collection that all of the respondents may be small entities.

of approximately 240 hours²⁰ to create policies and procedures required under the rule, and that the internal cost (or monetized value of the hour burden) of this one-time burden per broker-dealer would be \$88,880.²¹

Rule 15c6-2 also imposes ongoing burdens on a respondent broker-dealer as follows: (i) ongoing monitoring and compliance activities with respect to the written policies and procedures required by the proposed rule; and (ii) ongoing documentation activities with respect to its obligations to measure, monitor, and document the rates of allocations, confirmations, and affirmations completed as soon as technologically practicable and no later than the end of the day on trade date. The Commission estimates that the ongoing activities required by Rule 15c6-2 would impose an aggregate annual burden on a respondent broker-dealer of 480 hours,²² and an internal cost (or monetized value of the hour burden) per broker-dealer of \$172,416.²³ The total industry internal cost is estimated to be approximately \$107M.²⁴

In sum, the total annual burden per respondent would be 560²⁵ hours at a cost of \$202,043²⁶ and **the total annual industry burden imposed by Rule 15c6-2 would be 230,160 hours**²⁷ with a monetized value of \$84,683,262.²⁸

²⁰ This figure was calculated as follows: (Assistant General Counsel for 20 hours + Compliance Attorney for 120 hours + Senior Risk Management Specialist for 20 hours + Risk Management Specialist for 80 hours) = 240 hours x 411 respondents = 98,640 hours.

²¹ This figure was calculated as follows: (Assistant General Counsel at \$543/hour × 20 hours = \$10,860) + (Compliance Attorney at \$426/hour × 120 hours = \$51,120) + (Senior Risk Management Specialist at \$417/hour × 20 hours = \$8,340) + (Risk Management Specialist at \$232/hour × 80 hours = \$18,560) = \$88,880 × 411 respondents = \$36,529,680.

²² This figure was calculated as follows: (Assistant General Counsel for 48 hours + Compliance Attorney for 192 hours + Senior Risk Management Specialist for 48 hours + Risk Management Specialist for 192 hours) = 480 hours x 411 respondents = 197,280 hours.

²³ This figure was calculated as follows: (Assistant General Counsel at \$543/hour × 48 hours = \$26,064) + (Compliance Attorney at \$426/hour × 192 hours = \$81,792) + (Senior Risk Management Specialist at \$417/hour × 48 hours = \$20,016) + (Risk Management Specialist at \$232/hour × 192 hours = \$44,544) = \$172,416 × 411 respondents = \$70,862,976.

²⁴ This figure was calculated as follows: \$36,529,680 (industry one-time burden) + \$70,862,976 (industry ongoing burden) = \$107,392,656.

²⁵ This figure was calculated as follows: 240 hour initial burden divided by 3 years = 80 annualized initial burden. Then, 80 hours + 480 hours of annual ongoing burden = 560 hours total annual burden per respondent.

²⁶ This figure was calculated as follows: \$88,880 initial one-time cost per respondent divided by 3 years = \$29,626. And the annual ongoing cost per respondent is \$172,416. Then \$29,626 + \$172,416 = \$206,043.

²⁷ This figure was calculated as follows: 560 hours total annual burden per respondent x 411 respondents = 230,160 hours.

²⁸ This figure was calculated as follows: annualized initial one-time burden per respondent of \$29,626 + ongoing annual burden per respondent of \$172,416 = \$206,043 x 411 respondents = \$84,683,262.

iii. Table Summary of Hourly Burdens for Rule 15c6-2

The table below summarizes the Commission’s estimates of the total hourly reporting burden for all respondents under Rule 15c6-2.

Name of Information Collection	Type of Burden	Number of Respondents	Number of Annual Responses per Respondent	Initial Burden Per Respondent	Annualized Initial Burden per Respondent	Ongoing Burden Per Respondent	Total Annual Burden Per Respondent	Total Annual Industry Burden
15c6-2	Recordkeeping	411	1	240 hours	80	480 hours	560 hours	230,160 hours
Total Aggregate Burden for All Respondents								230,160 hours

13. Costs to Respondents

Not applicable. Respondents will not incur any capital or start-up costs or any ongoing operation and maintenance costs.

14. Costs to Federal Government

No cost to the federal government is anticipated.

15. Changes in Burden

As previously discussed, Rule 15c6-2 creates new burdens for broker-dealers.

16. Information Collection Planned for Statistical Purposes

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

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable. 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.