

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Regulation SCI
OMB Control No. 3235-0703
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. Information Collection Necessity

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

The U.S. securities markets have been transformed by regulatory and related technological developments in recent years. They have, among other things, substantially enhanced the speed, capacity, efficiency, and sophistication of the trading functions that are available to market participants. At the same time, these technological advances generated an increasing risk of operational problems with automated systems, including failures, disruptions, delays, and intrusions. Given the speed and interconnected nature of the U.S. securities markets, a seemingly minor systems problem at a single entity could quickly create losses and liability for

¹ 15 U.S.C. 78k-1(a)(2).

² Pub. L. 94-29, 89 Stat. 97 (1975).

³ 15 U.S.C. 78k-1(a)(1).

⁴ 15 U.S.C. 78k-1(a)(1)(B).

⁵ 15 U.S.C. 78k-1(a)(1)(C)(i).

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

market participants, and spread rapidly across the national market system, potentially creating widespread damage and harm to market participants, including investors.

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

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

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

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

⁸ “Regulation ATS” consists of 17 CFR 242.300 through 242.304 (Rules 300 through 304 under the Exchange Act).

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

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

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

The Commission estimates that there are currently 47 entities that meet the definition of SCI entity and are subject to the collection of information requirements of Regulation SCI. Of these 47 respondents, 35 will meet the definition of SCI SRO, 7 will meet the definition of SCI ATS, 2 will meet the definition of plan processor, and 3 will meet the definition of exempt clearing agency subject to ARP. The Commission estimates that approximately 2 entities will become SCI entities each year, one of which will be an SRO. Accordingly, over the next three years, the Commission estimates that there will be an average of approximately 49 SCI entities each year.

In December 2020, the Commission adopted amendments to Reg. SCI in connection with updates to the national market system for the collection, consolidation, and dissemination of information with respect to quotations for and transactions in national market system ("NMS") stocks ("Infrastructure Rules" or "Infrastructure Amendments"). Specifically, the Commission adopted a definition of "SCI competing consolidator" that will subject competing consolidators to Regulation SCI, after a transition period, if they are above a specified consolidated market

data gross revenue threshold.¹⁰ The Infrastructure Amendments increased the number of respondents to the collections of information in Regulation SCI, and as described below, some of these respondents were estimated to incur no, or only part of, the estimated initial burdens because they were already subject to Regulation SCI (i.e., as plan processors, SROs or affiliates of SROs). The Commission submitted, and received approval for, a revision in connection with the Regulation SCI Infrastructure Amendments that modified most of the information collections in this OMB number (3235-0703).

The Commission is not modifying the burden hour or cost estimates per respondent. The Commission is modifying the estimated number of respondents based on the current number of SCI entities and maintaining its estimate that approximately 2 entities will become SCI entities each year.

2022 Proposed Rulemaking Affecting this OMB Control Number

In January 2022, the Commission proposed amendments to Regulation ATS, as well as to certain terms used in the statutory definition of “exchange” under Section 3(a)(1) of the Exchange Act.¹¹ The Commission also proposed to expand the definition of “SCI alternative trading system” to include Government Securities ATSs that meet a specified volume threshold, which would, in turn, fall within the definition of “SCI entity” and, as a result, be subject to the requirements of Regulation SCI.¹² These proposed amendments would increase the number of respondents for the collections of information in several rules, including this one. This revision only increases the number of respondents, as described below, and does not otherwise revise the collections of information in this OMB Control Number.

¹⁰ See Securities Exchange Act Release No. 34-90610 (December 9, 2020), 86 FR 18596 (April 9, 2021) (File No. S7-03-20) (“Infrastructure Adopting Release”). An “SCI competing consolidator” is defined in Rule 1000 of Regulation SCI to mean “any competing consolidator, as defined in §242.600 which during at least four of the preceding six calendar months, accounted for five percent (5%) or more of consolidated market data gross revenue paid to the effective national market system plan or plans required under §242.603(b) for NMS stocks (1) listed on the New York Stock Exchange LLC, (2) listed on The Nasdaq Stock Market LLC, or (3) listed on national securities exchanges other than the New York Stock Exchange LLC or The Nasdaq Stock Market LLC, as reported by such plan or plans pursuant to the terms thereof.”

¹¹ See Securities Exchange Act Release No. 94062 (Jan. 26, 2022), 87 FR 15496 (Mar. 18, 2022) (“2022 Reg ATS Proposing Release”). The Commission proposed to, among other things: (1) amend Rule 3b-16 under the Exchange Act to, among other things, include within the definition of “exchange” systems that offer the use of non-firm trading interest and provide non-discretionary protocols to bring together buyers and sellers of securities; (2) eliminate the exemption from compliance with Regulation ATS for ATSs that trade government securities as defined under Section 3(a)(42) of the Exchange Act (“government securities”) or repurchase and reverse repurchase agreements on government securities (“Government Securities ATSs”).

¹² See *id.* at 15535-30.

The Commission assumed in both the 2022 Reg ATS Proposing and 2023 Reg ATS Reopening Releases that, under the proposed amendments, systems that would be newly captured under the proposed definition of “exchange” will choose to register as broker-dealers and comply with the conditions of Regulation ATS rather than register as a national securities exchange, because of the lighter regulatory requirements imposed on ATSs, as compared to registered exchanges.¹³ Accordingly, this revision to the PRA analysis for Regulation SCI increases the estimated number of applications, in light of the 2022 Reg ATS Proposing and 2023 Reg ATS Reopening Releases, to include both (1) Government Securities ATSs that are not currently registered as broker-dealers and (2) systems that would be newly captured under the proposed definition of “exchange” and choose to register as broker-dealers and comply with the conditions of Regulation ATS rather than register as national securities exchanges.

2. Information Collection Purpose and Use

a. Policies and Procedures Required by Rule 1001

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

b. Mandate Participation in Certain Testing Required by Rule 1004

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

¹³ See 2022 Reg ATS Proposing Release, supra note 11, at 15618 n.1056 and accompanying text.

and orderly markets in a BC/DR scenario following a wide-scale disruption.

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

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

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

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

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

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

f. SCI Review Required by Rule 1003(b)

The SCI reviews under Rule 1003(b) not only assist the Commission in improving its oversight of the technology infrastructure of SCI entities, but also assist each SCI entity in assessing the effectiveness of its information technology practices, helping to ensure compliance with the safeguards provided by the requirements of Regulation SCI, identifying potential areas of weakness that require additional or modified controls, and determining where to best devote resources.

g. Access to EDFS

Rule 1006 provides a uniform manner in which the Commission receives—and SCI

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

h. Corrective Action Required by Rule 1002(a)

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

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

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

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

j. Recordkeeping Required by Rules 1005 and 1007

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

Commission to reconstruct important market events and better understand the impact of such events.

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

3. Consideration Given to Information Technology

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

4. Duplication

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

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

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

5. Effect on Small Entities

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

6. Consequences of Not Conducting Collection

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

and members or participants of SCI entities of timely information regarding the occurrence and resolution of systems issues.

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

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

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

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

Finally, information submitted to the Commission under Regulation SCI could include proprietary trade secret or other confidential information. However, if a confidential treatment request is properly made, the Commission will keep the information collected pursuant to Form SCI confidential to the extent permitted by law.¹⁴

¹⁴ See, e.g., 15 U.S.C. 78x (governing the public availability of information obtained by the

8. Consultations Outside the Agency

In the 2022 Reg ATS Proposing Release, the Commission solicited comment on the accuracy of the burden of the proposed revisions to the seven collections of information contained in the proposal¹⁵ and received several comments that would affect the number of estimated respondents for this collection of information.¹⁶ Some commenters support applying Regulation SCI to Government Securities ATSS,¹⁷ and other commenters oppose applying Regulation SCI to Government Securities ATSS.¹⁸ Other commenters suggest either raising or lowering the threshold for applying Regulation SCI to Government Securities ATSS.¹⁹ The Commission will consider all comments received before adoption of a final rule.

9. Payment or Gift

Not applicable.

10. Confidentiality

The Commission expects that the written policies and procedures, processes, criteria, standards, or other written documents developed or revised by SCI entities pursuant to Regulation SCI will be retained by SCI entities in accordance with, and for the periods specified in Exchange Act Rule 17a-1 and Rule 1005, as applicable. Should such documents be made available for examination or inspection by the Commission and its representatives, they would be kept confidential subject to the provisions of applicable law.²⁰ In addition, the information submitted to the Commission pursuant to Regulation SCI that is filed on Form SCI is treated as

Commission); 5 U.S.C. 552 *et seq.* (Freedom of Information Act); 17 CFR 240.24b-2.

¹⁵ See 2022 Reg ATS Proposing Release, *supra* note 11, at 15593.

¹⁶ All comment letters for the 2022 Reg ATS Proposing Release are available at <https://www.sec.gov/comments/s7-02-22/s70222.htm>.

¹⁷ See Letter from Gregory Babyak, Global Head of Regulatory Affairs, Bloomberg L.P., dated April 18, 2022, at 6; Letter from Kelvin To, Founder and President, Data Boiler Technologies, LLC, dated April 18, 2022, at 21; Letter from Jennifer W. Han, Executive Vice President, Chief Counsel & Head of Regulatory Affairs, Managed Funds Association, dated April 18, 2022, at 6.

¹⁸ See Letter from Michael Nicholas, Chief Executive Officer, Bond Dealers of America, dated April 18, 2022 (“BDA Letter”), at 9-10; Letter from Elisabeth Kirby, Head of U.S. Market Structure, Tradeweb, dated April 18, 2022, at 9-10.

¹⁹ See Letter from Scott Pintoff, General Counsel, MarketAxess, dated April 18, 2022, at 2-3 and BDA Letter at 10 (supporting raising the threshold); *see* Letter from Elisa Hirschmann, Executive Director, Chief Compliance Officer, BrokerTec Americas LLC, on its own behalf and on behalf of CME Group Inc., dated April 18, 2022, at 2-3 (recommending that the Commission delete the Regulation SCI volume thresholds).

²⁰ *Id.*

confidential, subject to applicable law, including amended Rule 24b-2.²¹ The information disseminated by SCI entities pursuant to Rule 1002(c) under Regulation SCI to their members or participants is not confidential.

11. Sensitive Questions

No information of a sensitive nature will be required under this collection of information. The agency has determined that neither a Privacy Impact Assessment (“PIA”) nor a System of Records Notice (“SORN”) are required in connection with the collection of information.

12. Information Collection Burden

Each of the individual information collections in Regulation SCI is described in the subsections below. The changes to the burdens that resulted from the Infrastructure Amendments to Regulation SCI, and that were included in the previous revision, continue to be discussed separately.

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

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

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

The Commission estimates that approximately 2 entities will become SCI entities each year.²² A new SCI entity will require an average of 534 burden hours initially to develop and draft the policies and procedures required by Rule 1001(a) (except for the policies and procedures required by paragraph (a)(2)(vi) for standards that result in systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful collection, processing, and dissemination of market data, which is discussed below), or 1,068²³ hours annually for all such SCI entities. With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO²⁴ will have 50% of the estimated initial burdens for a new SCI entity, which will

²¹ Id.

²² This estimate for new SCI entities does not include SCI competing consolidators under the Infrastructure Rules. Competing consolidators that will become SCI entities are discussed separately throughout this analysis.

²³ 534 hours × 2 new SCI entities = 1,068 hours.

²⁴ Two of the seven SCI competing consolidators that are existing SIPs would be operating a

require an average of 267 burden hours.²⁵ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (534 hours), or 2,136 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 3,471 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden will be \$178,418 for each new SCI entity,²⁶ or \$356,836 for all such new SCI entities.²⁷ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$89,209. Four SCI competing consolidators will have the same costs as other new SCI entities (\$178,418), or \$713,672 for all such new SCI competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$1,159,717.

The Commission estimates that an SCI entity will require an average of 87 hours annually to review and update such policies and procedures, or 4,263 hours annually for all such SCI entities.²⁸ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will instead become SCI competing consolidators and will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (87 hours each annually), or 435 hours annually for all such SCI competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities will be 4,698 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$31,143 for each SCI entity,²⁹ or \$1,526,007 for

substantially similar business and performing a similar function in their new role as SCI competing consolidators and therefore the Commission believes they would not have any material initial burdens to comply with the requirements of Regulation SCI.

²⁵ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

²⁶ $(192 \text{ Compliance Manager hours} \times \$307) + (192 \text{ Attorney hours} \times \$412) + (60 \text{ Senior Systems Analyst hours} \times \$282) + (60 \text{ Operations Specialist hours} \times \$135) + (20 \text{ Chief Compliance Officer hours} \times \$526) + (10 \text{ Director of Compliance hours} \times \$483) = \$178,418.$

²⁷ $\$178,418 \times 2 = \$356,836.$ See also *supra* note 22.

²⁸ $87 \text{ hours} \times 49 \text{ SCI entities} = 4,263 \text{ hours}.$

²⁹ $(28 \text{ Compliance Manager hours} \times \$307) + (28 \text{ Attorney hours} \times \$412) + (8 \text{ Senior Systems Analyst hours} \times \$282) + (8 \text{ Operations Specialist hours} \times \$135) + (10 \text{ Chief Compliance Officer hours} \times \$526) + (5 \text{ Director of Compliance hours} \times \$483) = \$31,143.$

all such SCI entities.³⁰ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will instead become SCI competing consolidators and will have no additional cost (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$31,143 each), or \$155,715 for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all such SCI entities will be \$1,681,722.

With respect to the requirement in Rule 1001(a)(2)(vi) for policies and procedures that provide for standards that result in systems being designed, developed, tested, maintained, operated, and surveilled in a manner that facilitates the successful collection, processing, and dissemination of market data, the Commission estimates that each new SCI entity will spend, on average, 160 hours initially, or 320 hours annually for all new SCI entities.³¹ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO³² will have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 80 burden hours.³³ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (160 hours each), or 640 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 1,040 hours.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden will be \$54,410 for each new SCI entity,³⁴ or \$108,820 annually for all such new SCI entities.³⁵ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$27,205. Four SCI competing consolidators will have the same costs as other new SCI entities (\$54,410) or \$217,640 for all such new SCI competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$353,665.

³⁰ \$31,143 x 49 = \$1,526,007.

³¹ 160 hours x 2 new SCI entities = 320 hours.

³² Two of the seven SCI competing consolidators that are existing SIPs would be operating a substantially similar business and performing a similar function in their new role as competing consolidators and therefore the Commission believes would not have an initial burden under Rule 1001(a)(2)(vi).

³³ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

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

³⁵ \$54,410 x 2 = \$108,820.

The Commission estimates that each SCI entity will spend, on average, 145 hours annually to review and update such policies and procedures, or 7,105 hours annually, on average, for all such SCI entities.³⁶ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (145 hours each annually), or 725 hours annually for all such SCI competing consolidators. The total average ongoing burden, including the Infrastructure Rules, for all SCI entities will be 7,830 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$46,735 for each SCI entity,³⁷ or \$2,290,015 annually for all such SCI entities.³⁸ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional cost (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$46,735 each), or \$233,675 for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, will be \$2,523,690.

In summary, the Commission estimates that the total average annual initial recordkeeping burden for complying with Rule 1001(a) for new SCI entities is 1,388 hours, or 694 hours per new SCI entity, and the total average annual ongoing recordkeeping burden for SCI entities is 11,368 hours, or approximately 232 hours per SCI entity. The Commission estimates that the total average annual initial recordkeeping burden for complying with Rule 1001(a) for SCI competing consolidators is 3,123 hours, or approximately 625 hours per competing consolidator (that is not currently a SIP),³⁹ and the total average annual ongoing recordkeeping burden for SCI competing consolidators is 1,160 hours, or approximately 232 hours per competing consolidator.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total initial burden for these

³⁶ 145 hours × 49 SCI entities = 7,105 hours.

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

³⁸ \$46,735 x 49 = \$2,290,015.

³⁹ This estimate is an average across five SCI competing consolidators, but as discussed above one of the expected SCI competing consolidators that is currently an SRO is estimated to have only a 50% initial burden.

respondents is 2,776 hours,⁴⁰ with a monetized cost of \$931,312.⁴¹ The Commission further estimates that the total ongoing burden for these respondents is 928 hours,⁴² with a monetized cost of \$311,512.⁴³ The proposed revised estimated hourly burden, with the new respondents included, are summarized below.

The Commission estimates that:

- The total average annual initial recordkeeping burden for complying with Rule 1001(a), including the Infrastructure Rules, is 7,287 hours, and
- The total average annual ongoing recordkeeping burden for complying with Rule 1001(a), including the Infrastructure Rules, is 13,456 hours.

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

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

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

The Commission estimates that a new SCI entity will spend 270 hours initially to design the systems compliance policies and procedures, or 540 hours annually for all new SCI entities.⁴⁴ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 135 burden hours.⁴⁵ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (270 hours), or 1,080 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 1,755 hours.

The Commission estimates that the average annual internal cost of compliance associated

⁴⁰ 4 respondents x 694 hours = 2,776 hours.

⁴¹ 4 respondents x (\$178,418.00 + \$54,410.00) = \$931,312.

⁴² 4 respondents x 232 hours = 928 hours.

⁴³ 4 respondents x (\$31,143.00 + \$46,735.00) = \$311,512.

⁴⁴ 270 hours × 2 new SCI entities = 540 hours.

⁴⁵ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

with this initial recordkeeping burden will be \$101,580 for each new SCI entity,⁴⁶ or \$203,160 annually for all such new SCI entities.⁴⁷ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$50,790. Four SCI competing consolidators will have the same costs as other new SCI entities (\$101,580), or \$406,320 for all such new SCI competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$660,270.

The Commission estimates that each SCI SRO will spend, on average, 175 hours annually to review and update such policies and procedures, or 6,300 hours for all SCI SROs.⁴⁸ The Commission estimates that each SCI entity that is not an SRO will spend, on average, 95 hours annually to review and update such policies and procedures, or 1,235 hours for all such SCI entities.⁴⁹ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will instead become SCI competing consolidators and will have no additional burden (i.e., they have been included in the above estimates). The Commission estimates that the remaining five SCI competing consolidators will have the same burdens as each SCI entity that is not an SRO (hereafter, a “non-SRO SCI entity”) (95 hours),⁵⁰ or 475 burden hours annually for all such SCI competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities will be 8,010 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$54,875 for each SCI SRO,⁵¹ or \$1,975,500 for all such SCI entities.⁵² The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$31,355 for each SCI entity that is not an SRO,⁵³ or \$407,615 for all such SCI entities.⁵⁴ With respect to the

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

⁴⁷ \$54,410 x 2 = \$108,820.

⁴⁸ 175 hours x 36 SCI SROs = 6,300 hours.

⁴⁹ 95 hours x 13 non-SRO SCI entities = 1,235 hours.

⁵⁰ Although one of the five competing consolidators is an SRO or affiliated with an SRO, the Commission believes that SRO competing consolidators would have the same burdens as a non SRO SCI entity for these particular ongoing burdens.

⁵¹ (26 Compliance Attorney hours x \$362) + (134 Senior Systems Analyst hours x \$282) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$54,875.

⁵² \$54,875 x 36 = \$1,975,500.

⁵³ (14 Compliance Attorney hours x \$362) + (66 Senior Systems Analyst hours x \$282) + (10 Chief Compliance Officer hours x \$526) + (5 Director of Compliance hours x \$483) = \$31,355.

⁵⁴ \$31,355 x 13 = \$407,615.

Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will instead become SCI competing consolidators and will have no additional burden (i.e., they have been included in the above estimates). The Commission estimates that the remaining five SCI competing consolidators will have the same average internal cost of compliance as non-SRO SCI entities, (\$31,355) or \$156,775 burden hours annually for all such SCI competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, will be \$2,539,890 for all SCI entities.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new non-SRO respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total initial burden for these respondents is 1,080 hours,⁵⁵ with a monetized cost of \$406,320.⁵⁶ The Commission further estimates that the total ongoing burden for these respondents is 380 hours,⁵⁷ with a monetized cost of \$125,420.⁵⁸ The proposed revised estimated hourly burden, with the new respondents included, are summarized below.

The Commission estimates that:

- the total average annual initial recordkeeping burden for complying with Rule 1001(b), including the Infrastructure Rules, is 2,835 hours;
- the total average annual ongoing recordkeeping burden for complying with Rule 1001(b) for SCI SROs is 6,300 hours; and
- the total average annual ongoing recordkeeping burden for complying with Rule 1001(b) for non-SRO SCI entities is 2,090 hours.

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

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

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

⁵⁵ 4 respondents x 270 hours = 1,080 hours.

⁵⁶ 4 respondents x \$101,580 = \$406,320.

⁵⁷ 4 respondents x 95 hours = 380 hours.

⁵⁸ 4 respondents x \$31,355 = \$125,420.

The Commission estimates that each new SCI entity will require 114 hours initially to establish the criteria for identifying responsible SCI personnel and the escalation procedures, or 228 hours for all new SCI entities.⁵⁹ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours. Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (114 hours), or 456 hours annually for all such new SCI entities.⁶⁰ The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 741 hours.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden will be \$42,528 for each new SCI entity,⁶¹ or \$85,056 for all such new SCI entities.⁶² With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidators will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$21,264. Four SCI competing consolidators will have the same costs as other new SCI entities (\$42,528), or \$170,112 for all such new SCI competing consolidators. The total annual internal cost of compliance with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$276,432.

The Commission also estimates that, on average, each SCI entity will require 39 hours annually to review and update the criteria and the escalation procedures, or 1,911 hours annually for all SCI entities.⁶³ With respect to the Infrastructure Rules, the Commission estimates that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (39 hours each annually), or 195 hours annually for all such SCI competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities will be 2,106 hours.

The Commission estimates that the average annual internal cost of compliance associated

⁵⁹ 114 hours × 2 new SCI entities = 228 hours.

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

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

⁶² \$42,528 x 2 = \$85,056.

⁶³ 39 hours × 49 SCI entities = 1,911 hours.

with this ongoing recordkeeping burden will be \$15,548 for each SCI entity,⁶⁴ or \$761,852 for all such SCI entities.⁶⁵ With respect to the Infrastructure Rules, the Commission estimates that two of the seven SCI competing consolidators that are the existing SIPs will have no additional cost (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$15,548 each), or \$77,740.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total initial burden for these respondents is 456 hours,⁶⁶ with a monetized cost of \$170,112.⁶⁷ The Commission further estimates that the total ongoing burden for these respondents is 156 hours,⁶⁸ with a monetized cost of \$62,192.⁶⁹ The proposed revised estimated hourly burden, with the new respondents included, are summarized below. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$901,784.

The Commission estimates that:

- The total average annual initial recordkeeping burden for complying with Rule 1001(c), including the Infrastructure Rules, is 1,197 hours, and
 - The total average annual ongoing recordkeeping burden for complying with Rule 1001(c), including the Infrastructure Rules, is 2,262 hours.
- d. Mandate Participation in Certain Testing Required by Rule 1004

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

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

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

⁶⁵ \$15,548 x 49 = \$761,852.

⁶⁶ 4 respondents x 114 hours = 456 hours.

⁶⁷ 4 respondents x \$42,528 = \$170,112.

⁶⁸ 4 respondents x 39 hours = 156 hours.

⁶⁹ 4 respondents x \$15,548 = \$62,192.

basis with other SCI entities.

The Commission estimates that the requirements under Rules 1004(a) (*i.e.*, establishment of standards for the designation of members and participants) and (c) (*i.e.*, coordination of testing on an industry- or sector-wide basis) will initially require 360 hours for each new SCI entity that is not a plan processor,⁷⁰ or 720 hours annually for all such SCI entities.⁷¹ With respect to the Infrastructure Rules, the Commission estimates that three SCI competing consolidators that are currently SIPs or SROs or affiliated with an SRO will have 50% of the estimated initial burdens for a new SCI entity,⁷² which will require an average of 180 burden hours, or 540 burden hours annually for all such SCI competing consolidators.⁷³ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (360 hours), or 1,440 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 2,700 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden would be \$107,298 for each new SCI entity that is not a plan processor,⁷⁴ or \$214,596 annually for all such entities.⁷⁵ With respect to the Infrastructure Rules, the Commission estimates that three SCI competing consolidators that are currently SIPs or SROs or affiliated with an SRO will each have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$53,649 for each such competing consolidator, or \$160,947 for all such SCI entities. Four competing consolidators will have the same costs as other new SCI entities (\$107,298), or \$429,192 for all such new competing consolidators. The total annual internal cost of compliance with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$804,735.

Further, the Commission estimates that the requirements under Rules 1004(a) and (c) will require 135 hours annually for each SCI entity that is not a plan processor, or an average estimate

⁷⁰ The estimate of 360 hours includes the burden for designating members or participants for testing, as required by Rule 1004(b).

⁷¹ $360 \text{ hours} \times 2 \text{ new SCI entities other than plan processors} = 720 \text{ hours}$.

⁷² The Commission believes that for this particular burden, existing SIPs that become SCI competing consolidators will have the same burdens as other SRO SCI entities and have not otherwise been included in prior burden estimates, and so they have been added to this burden estimate.

⁷³ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

⁷⁴ $(40 \text{ Compliance Manager hours} \times \$307) + (60 \text{ Attorney hours} \times \$412) + (20 \text{ Assistant General Counsel hours} \times \$462) + (60 \text{ Senior Operations Manager hours} \times \$362) + (140 \text{ Operations Specialist hours} \times \$135) + (26 \text{ Chief Compliance Officer hours} \times \$526) + (14 \text{ Director of Compliance hours} \times \$483) = \$107,298$.

⁷⁵ $\$107,298 \times 2 = \$214,596$.

of 6,345 hours annually for all such SCI entities.⁷⁶ With respect to the Infrastructure Rule, the seven SCI competing consolidators⁷⁷ will have the same average ongoing burden as other SCI entities (135 hours each annually), or 945 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities will be 7,290 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$35,925 for each SCI entity,⁷⁸ or \$1,688,475 annually for all such entities.⁷⁹ With respect to the Infrastructure Rules, the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$35,925), or \$251,475.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total initial burden for these respondents is 1,440 hours,⁸⁰ with a monetized cost of \$429,192.⁸¹ The Commission further estimates that the total ongoing burden for these respondents is 540 hours,⁸² with a monetized cost of \$143,700.⁸³ The proposed revised estimated hourly burden, with the new respondents included, are summarized below.

In summary, the Commission estimates that:

⁷⁶ 135 hours × 47 SCI entities other than plan processors = 6,345 hours. As noted in the SCI Adopting Release, the Commission does not believe that there would be significant annual burden under Rule 1004(a), as the Commission believes that designation standards will likely not change substantially on an annual basis. See Regulation SCI Adopting Release, 79 FR 72380, FN. 1495.

⁷⁷ The Commission notes that for this particular burden, existing SIPs that become SCI competing consolidators have not otherwise been included in prior burden estimates, and the Commission believes they will have the same burdens as other SCI entities, and therefore they have been added to this burden estimate.

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

⁷⁹ \$35,925 x 47 = \$1,688,475.

⁸⁰ 4 respondents x 360 hours = 1,440 hours.

⁸¹ 4 respondents x \$107,298 = \$429,192.

⁸² 4 respondents x 135 hours = 540 hours.

⁸³ 4 respondents x \$35,925 = \$143,700.

- The total average annual initial recordkeeping burden for complying with Rule 1004(a) and (c), including the Infrastructure Rules, is 4,140 hours, and
- The total average annual ongoing recordkeeping burden is 7,830 hours.

The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities would be \$2,083,650. Based on its experience with plan processors, the Commission believes that plan processors will outsource the work related to compliance with Rule 1004 (and, accordingly, such outsourced costs have been included in the response to Item 13).

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

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

Rule 1002(b)(1) requires each SCI entity, upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred, to notify the Commission immediately. Based on Commission staff experience with SCI event notifications, the Commission staff estimates that each SCI entity will submit, on average, 5 notifications per year pursuant to Rule 1002(b)(1). These notifications can be made orally or in writing, and the Commission estimates that approximately one-fourth of these notifications will be submitted in writing (*i.e.*, approximately 1 event per year for each SCI entity), and approximately three-fourths will be provided orally (*i.e.*, approximately 4 events per year for each SCI entity). The written notifications may be submitted on Form SCI. The Commission estimates that each written notification will require 2 hours and each oral notification will require 1.5 hours. The Commission estimates that each SCI entity will require an average of 8 hours annually to comply with Rule 1002(b)(1),⁸⁴ or, on average, 392 hours annually for all SCI entities.⁸⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (*i.e.*, they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (8 hours each annually) or 40 hours annually for all such competing consolidators.

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

⁸⁴ 1 written notification each year × 2 hours per notification + 4 oral notifications each year × 1.5 hours per notification = 8 hours.

⁸⁵ 8 hours × 49 SCI entities = 392 hours.

SCI entity,⁸⁶ and for oral notifications will be \$1,827 for each SCI entity,⁸⁷ or, on average, \$120,712 annually for all such SCI entities for all notifications.⁸⁸ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities, or on average or \$3,183 for written notifications⁸⁹ and \$9,135 for oral notifications annually for all such SCI competing consolidators, or on average, \$12,318 for all such SCI competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total ongoing burden for these respondents is 32 hours,⁹⁰ with a monetized cost of \$9,856.⁹¹ The total average internal cost of compliance, including the Infrastructure Rules and the estimated hourly burden added by the Regulation ATS proposals, for all SCI entities would be \$142,886.

The Commission estimates that the average annual ongoing burden for complying with Rule 1002(b)(1), including the Infrastructure Rules, will be 464 hours for all SCI entities.

Rule 1002(b)(2) requires each SCI entity, within 24 hours of any responsible SCI personnel having a reasonable basis to conclude that the SCI event has occurred, to submit a written notification to the Commission pertaining to the SCI event on a good faith, best efforts basis. These notifications are required to be submitted on Form SCI. The Commission estimates that each notification under Rule 1002(b)(2) will require 24 hours for each SCI entity. The Commission estimates that each SCI entity will require an average of 120 hours annually to comply with Rule 1002(b)(2),⁹² or 5,880 hours annually for all SCI entities.⁹³ With respect to

⁸⁶ $(0.5 \text{ Compliance Manager hours} \times \$307) + (0.5 \text{ Attorney hours} \times \$412) + (0.5 \text{ Senior Systems Analyst hours} \times \$282) + (0.5 \text{ Senior Business Analyst hours} \times \$272) = \$636.50$. \$636.50 per notification x 1 written notification each year = \$636.50.

⁸⁷ $(0.25 \text{ Compliance Manager hours} \times \$307) + (0.25 \text{ Attorney hours} \times \$412) + (0.5 \text{ Senior Systems Analyst hours} \times \$282) + (0.5 \text{ Senior Business Analyst hours} \times \$272) = \$456.75$. \$456.75 per notification x 4 oral notifications each year = \$1,827.

⁸⁸ $\$636.50 + \$1,827 = \$2,463.5$. $\$2,463.5 \times 49 = \$120,711.5$.

⁸⁹ See *supra* note 86 (estimating \$636.50 per SCI entity per year).

⁹⁰ $4 \text{ respondents} \times 8 \text{ hours} = 32 \text{ hours}$.

⁹¹ $4 \text{ respondents} \times \$2,464 = \$9,856$.

⁹² $5 \text{ written notifications each year} \times 24 \text{ hours per notification} = 120 \text{ hours}$.

⁹³ $120 \text{ hours} \times 49 \text{ SCI entities} = 5,880 \text{ hours}$.

the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (120 hours each annually) or 600 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be \$39,535 for each SCI entity,⁹⁴ or \$1,937,215 annually for all such entities.⁹⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance (\$39,535 each), or \$197,675 for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total ongoing burden for these respondents is 480 hours,⁹⁶ with a monetized cost of \$158,140.⁹⁷ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$2,134,890.

The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(2), including the Infrastructure Rules, for all SCI entities will be 6,960 hours.

Rule 1002(b)(3) requires each SCI entity to provide updates to the Commission pertaining to an SCI event on a regular basis, or at such frequency as reasonably requested by a representative of the Commission, until the SCI event is resolved and the SCI entity's investigation of the SCI event is closed. These updates can be provided orally or in writing, and the Commission estimates that, based on past experience, each SCI entity will submit 1 written update and 1 oral update each year, for a total of 2 updates each year. The written updates may be submitted on Form SCI. The Commission estimates that each written update will require 6 hours and each oral update will require 4.5 hours. The Commission estimates that each SCI

⁹⁴ (5 Compliance Manager hours x \$307) + (5 Attorney hours x \$412) + (6 Senior Systems Analyst hours x \$282) + (1 Assistant General Counsel hour x \$462) + (1 Chief Compliance Officer hour x \$526) + (6 Senior Business Analyst hours x \$272) = \$7,907. \$7,907 per notification x 5 notifications each year = \$39,535.

⁹⁵ \$39,535 x 49 = \$1,937,215.

⁹⁶ 4 respondents x 120 hours = 480 hours.

⁹⁷ 4 respondents x \$39,535 = \$158,140.

entity will require an average of 10.5 hours annually to comply with Rule 1002(b)(3),⁹⁸ or, on average, 515 hours annually for all SCI entities.⁹⁹ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (10.5 hours each annually) or 52.5 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for the written update will be \$1,909.50 for each SCI entity,¹⁰⁰ and for the oral update will be \$1,370.25 for each SCI entity,¹⁰¹ or \$160,707.75 annually for all such SCI entities for all notifications.¹⁰² With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities, or on average \$1,909.50 for written notifications and \$1,370.25 for oral notifications for each competing consolidator, or \$16,398.75 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total ongoing burden for these respondents is 42 hours,¹⁰³ with a monetized cost of \$13,119.¹⁰⁴ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$190,225.50.

The Commission estimates that the average annual ongoing burden for complying with Rule 1002(b)(3), including the Infrastructure Rules, will be 609 hours for all SCI entities.

⁹⁸ 1 written updates each year × 6 hours per notification + 1 oral updates each year × 4.5 hours per notification = 10.5 hours.

⁹⁹ 10.5 hours × 49 SCI entities = 514.5 hours.

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

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

¹⁰² \$1909.50 + \$1,370.25 = \$3,279.75. \$3,279.75 x 49 = \$160,707.75.

¹⁰³ 4 respondents x 10.5 hours = 42 hours.

¹⁰⁴ 4 respondents x \$3,279.75 = \$13,119.

Rule 1002(b)(4) requires each SCI entity to submit written interim reports, as necessary, and a written final report regarding an SCI event to the Commission. These reports are required to be submitted on Form SCI. The Commission estimates that compliance with Rule 1002(b)(4) for a particular SCI event will require 35 hours. Because the Commission estimates that each SCI entity will experience an average of 5 SCI events each year that are not de minimis SCI events, Rule 1002(b)(4) will result in 5 reporting requirements per SCI entity per year. The Commission estimates that each SCI entity will require an average of 175 hours annually to comply with Rule 1002(b)(4),¹⁰⁵ or 8,575 hours annually for all SCI entities.¹⁰⁶ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (175 hours each annually) or 875 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be \$61,065 for each SCI entity,¹⁰⁷ or, on average, \$2,992,185 annually for all such SCI entities.¹⁰⁸ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$61,065 each), or on average, \$305,325 annually for all such competing consolidators.

Regulation ATS Rulemaking

¹⁰⁵ 5 written notifications each year × 35 hours per notification = 175 hours.

¹⁰⁶ 175 hours × 49 SCI entities = 8,575 hours. The Commission notes that this reporting burden estimate includes the reporting burden for submitting the one interim Commission notification required under Rule 1002(b)(4)(i)(B) (if necessary). In particular, the Commission notes that the interim notification requires SCI entities to include the same information as required to be included in a final notification under Rule 1002(b)(4)(i)(A), except that SCI entities are only required to provide the information to the extent known at the time of the interim notification. If an SCI entity submits an interim notification, it is also required to submit a final notification, which is required to include all of the remaining information that was not provided in the interim notification. Because all SCI entities are required to provide the same amount of information in total for a particular SCI event under Rule 1002(b)(4), regardless of whether they submit an interim notification, the estimated burden for Rule 1002(b)(4) includes the burden for both the interim notification (if necessary) and the final notification related to a particular SCI event.

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

¹⁰⁸ \$61,065 x 49 = \$2,992,185.

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total ongoing burden for these respondents is 700 hours, 109 with a monetized cost of \$244,260.¹¹⁰ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$3,541,770.

The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(4), including the Infrastructure Rules, for all SCI entities will be 10,150 hours.

Rule 1002(b)(5) requires each SCI entity to submit to the Commission quarterly reports containing a summary description of any systems disruption or systems intrusion that has had, or the SCI entity reasonably estimates will have, no or a de minimis impact on the SCI entity's operations or on market participants. These reports are required to be submitted on Form SCI. The Commission estimates that the initial and ongoing reporting burden to comply with the quarterly report requirement will be 40 hours per report per SCI entity, or 160 hours annually per SCI entity,¹¹¹ and, on average, 7,840 hours annually for all SCI entities.¹¹² With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (160 hours each annually) or 800 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be \$54,062 for each SCI entity,¹¹³ or \$2,649,038 annually for all such SCI entities.¹¹⁴ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$54,062 each), or on average, \$270,310 annually for all such competing consolidators.

Regulation ATS Rulemaking

¹⁰⁹ 4 respondents x 175 hours = 700 hours.

¹¹⁰ 4 respondents x \$61,065 = \$244,260.

¹¹¹ 40 hours x 4 reports each year = 160 hours.

¹¹² 160 hours x 49 SCI entities = 7,840 hours.

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

¹¹⁴ \$54,062 x 49 = \$2,649,038.

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total ongoing burden for these respondents is 640 hours,¹¹⁵ with a monetized cost of \$216,248.¹¹⁶ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$3,135,596.

The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(b)(5), including the Infrastructure Rules, for all SCI entities will be 9,280 hours.

In summary, the Commission estimates that the total reporting burden for all SCI entities complying with Rule 1002(b) is 23,202 hours per year,¹¹⁷ or 473.50 hours per SCI entity.¹¹⁸ With respect to the Infrastructure Rules, the total reporting burden for the five competing consolidators will be 2,367.5 hours. With respect to the Regulation ATS Rulemaking, the total reporting burden for four new respondents would be 1,894 hours per year, or 473.50 hours per SCI entity.¹¹⁹ The total reporting burden for all SCI entities will be 27,463.5 hours.

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

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

Rule 1002(c)(1)(i) requires each SCI entity, promptly after any responsible SCI personnel has a reasonable basis to conclude that an SCI event (other than a systems intrusion) has occurred, to disseminate certain information to its members or participants. The Commission estimates that each SCI entity will disseminate information regarding 3 SCI events each year under Rule 1002(c)(1)(i). The Commission estimates that each information dissemination under Rule 1002(c)(1)(i) will require 7 hours. Thus, the total annual third party disclosure burden to comply with Rule 1002(c)(1)(i) will be 21 hours per SCI entity,¹²⁰ or, on average, 1,029 hours annually for all SCI entities.¹²¹ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI

¹¹⁵ 4 respondents x 160 hours = 640 hours.

¹¹⁶ 4 respondents x \$54,062 = \$216,248.

¹¹⁷ 392 hours (Rule 1002(b)(1)) + 5,880 hours (Rule 1002(b)(2)) + 515 hours (Rule 1002(b)(3)) + 8,575 hours (Rule 1002(b)(4)) + 7,840 hours (Rule 1002(b)(5)) = 23,202 hours per year.

¹¹⁸ 23,202 hours ÷ 49 SCI entities = 473.5 hours per SCI entity.

¹¹⁹ 32 hours (Rule 1002(b)(1)) + 480 hours (Rule 1002(b)(2)) + 42 hours (Rule 1002(b)(3)) + 700 hours (Rule 1002(b)(4)) + 640 hours (Rule 1002(b)(5)) = 1,894 hours per year.

¹²⁰ 3 information disseminations each year × 7 hours per dissemination = 21 hours.

¹²¹ 21 hours × 49 SCI entities = 1,029 hours.

competing consolidators will have the same burden as other SCI entities (21 hours each annually), or 105 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be approximately \$13,733 for each SCI entity,¹²² or, on average, \$672,892.5 annually for all such SCI entities.¹²³ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$13,733 each), or on average, \$68,665 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these respondents is 84 hours,¹²⁴ with a monetized cost of \$54,932.¹²⁵ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$796,489.50.

The Commission estimates that the total average annual burden for complying with Rule 1002(c)(1)(i), including the Infrastructure Rules, for all SCI entities will be 1,218 hours.

Rule 1002(c)(1)(ii) requires each SCI entity, when known, to promptly disseminate additional information about an SCI event (other than a systems intrusion) to its members or participants. Rule 1002(c)(1)(iii) requires each SCI entity to provide to its members or participants regular updates of any information required to be disseminated under Rules 1002(c)(1)(i) and (ii) until the SCI event is resolved. The Commission estimates that each SCI entity will disseminate 3 updates for each SCI event under Rules 1002(c)(1)(ii) and (iii), or 9 updates each year.¹²⁶ The Commission estimates that each update under Rules 1002(c)(1)(ii) and (iii) will require 13 hours. Thus, the total annual third party disclosure burden to comply with Rules 1002(c)(1)(ii) and (iii) will be 117 hours per SCI entity,¹²⁷ or, on average, 5,733 hours

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

¹²³ \$13,732.5 × 49 = \$672,892.5.

¹²⁴ 4 respondents x 21 hours = 84 hours.

¹²⁵ 4 respondents x \$13,733 = \$54,932.

¹²⁶ 3 SCI events × 3 updates per SCI event = 9 updates.

¹²⁷ 9 updates each year × 13 hours per update = 117 hours.

annually for all SCI entities.¹²⁸ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (117 hours each annually), or 585 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be \$46,224 for each SCI entity,¹²⁹ or, on average, \$2,264,976 annually for all such SCI entities.¹³⁰ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$46,224 each), or on average, \$231,120 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these respondents is 468 hours,¹³¹ with a monetized cost of \$184,896.¹³² The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$2,680,992.

The Commission estimates that the total average annual burden for complying with Rule 1002(c)(1)(ii), including the Infrastructure Rules, for all SCI entities will be 6,786 hours.

Rule 1002(c)(2) requires each SCI entity to disseminate certain information regarding a systems intrusion to its members or participants, and provides an exception when the SCI entity determines that dissemination of such information will likely compromise the security of its SCI systems or indirect SCI systems, or an investigation of the systems intrusion, and documents the reasons for such determination. The Commission estimates that each SCI entity will disseminate information regarding 1 systems intrusion each year under Rule 1002(c)(2). The Commission estimates that each dissemination under Rule 1002(c)(2) will require 10 hours. Thus, the total

¹²⁸ 117 hours × 49 SCI entities = 5,733 hours.

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

¹³⁰ \$46,224 x 49 = \$2,264,976.

¹³¹ 4 respondents x 117 hours = 468 hours.

¹³² 4 respondents x \$46,224 = \$184,896.

annual third party disclosure burden to comply with Rule 1002(c)(2) will be 10 hours per SCI entity, or, on average, 490 hours for all SCI entities.¹³³ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (10 hours each), or 50 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be approximately \$3,941 for each SCI entity,¹³⁴ or \$193,121.25 annually for all such SCI entities.¹³⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$3,941 each), or on average, \$19,706 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these respondents is 40 hours,¹³⁶ with a monetized cost of \$15,764.¹³⁷ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$228,591.

The Commission estimates that the total average annual burden for complying with Rule 1002(c)(2), including the Infrastructure Rules, for all SCI entities will be 580 hours.

In summary, the total annual third party disclosure burden to comply with Rule 1002(c) will be, on average, 7,252 hours for all SCI entities,¹³⁸ or 148 hours annually per SCI entity.¹³⁹ With respect to the Infrastructure Rules, the total burden will be, on average, 740 hours for the

¹³³ 10 hours × 49 SCI entities = 490 hours.

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

¹³⁵ \$3,941.25 x 49 = \$193,121.25.

¹³⁶ 4 respondents x 10 hours = 40 hours.

¹³⁷ 4 respondents x \$3,941 = \$15,764.

¹³⁸ 1,029 hours (Rule 1002(c)(1)(i)) + 5,733 hours (Rules 1002(c)(1)(ii) and (iii)) + 490 hours (Rule 1002(c)(2)) = 7,252 hours.

¹³⁹ 7,252 hours ÷ 49 SCI entities = 148 hours per SCI entity.

five SCI competing consolidators (not including the current SIPs which are included in the prior estimate). With respect to the Regulation ATS Rulemaking, the total reporting burden for four new respondents would be 592 hours per year, or 148 hours per SCI entity.¹⁴⁰ The total average annual burden will be 8,584 hours for all SCI entities.

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

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

Rule 1003(a)(1) requires each SCI entity to submit to the Commission quarterly reports describing completed, ongoing, and planned material changes to its SCI systems and security of indirect SCI systems during the prior, current, and subsequent calendar quarters. These reports are required to be submitted on Form SCI. The Commission estimates that the reporting burden to comply with the quarterly reporting requirement will be 125 hours per report per SCI entity, or 500 hours annually per SCI entity¹⁴¹ and an average of 24,500 hours annually for all SCI entities.¹⁴² With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (500 hours each annually), or 2,500 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for quarterly reports will be \$149,330 for each SCI entity,¹⁴³ or \$7,317,170 for all such SCI entities.¹⁴⁴ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$149,330 each), or on average, \$746,650 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly

¹⁴⁰ 32 hours (Rule 1002(b)(1)) + 480 hours (Rule 1002(b)(2)) + 42 hours (Rule 1002(b)(3)) + 700 hours (Rule 1002(b)(4)) + 640 hours (Rule 1002(b)(5)) = 1,894 hours per year.

¹⁴¹ 125 hours × 4 reports each year = 500 hours.

¹⁴² 500 hours × 49 SCI entities = 24,500 hours.

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

¹⁴⁴ \$149,330 x 49 = \$7,317,170.

burden for compliance. The Commission estimates that the total average annual burden for these respondents is 2,000 hours,¹⁴⁵ with a monetized cost of \$597,320.¹⁴⁶ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$8,661,140.

The Commission estimates that the total average annual burden for complying with Rule 1003(a)(1), including the Infrastructure Rules, for all SCI entities will be 29,000 hours.

Rule 1003(a)(2) requires each SCI entity to promptly submit a supplemental report notifying the Commission of a material error in or material omission from a report previously submitted under Rule 1003(a)(1). These reports are required to be submitted on Form SCI. The Commission estimates that each SCI entity will submit 1 supplemental report each year. The Commission estimates that the reporting burden to comply with the supplemental report requirement will be 15 hours per report per SCI entity, and, on average, 735 hours annually for all SCI entities.¹⁴⁷ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (15 hours each annually), or 75 hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden for supplemental reports will be \$4,754 for each SCI entity,¹⁴⁸ or, on average, \$232,946 annually for all such SCI entities.¹⁴⁹ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$4,754 each), or on average, \$23,770 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these

¹⁴⁵ 4 respondents x 500 hours = 2,000 hours.

¹⁴⁶ 4 respondents x \$149,330 = \$597,320.

¹⁴⁷ 15 hours × 49 SCI entities = 735 hours.

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

¹⁴⁹ \$4,754 x 49 = \$232,946.

respondents is 60 hours,¹⁵⁰ with a monetized cost of \$19,016.¹⁵¹ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$275,732.

The Commission estimates that the total average annual burden for complying with Rule 1003(a)(2), including the Infrastructure Rules, for all SCI entities will be 870 hours.

In summary, the Commission estimates that the total reporting burden for complying with Rule 1003(a) is, on average, 25,235 hours per year,¹⁵² or 515 hours annually per SCI entity.¹⁵³ With respect to the Infrastructure Rules, the total reporting burden will be, on average, 2,575 hours for the five SCI competing consolidators (not including the current SIPs which are included in the prior estimate). With respect to the Regulation ATS Rulemaking, the total reporting burden for four new respondents would be 592 hours per year, or 148 hours per SCI entity.¹⁵⁴ The total average annual burden will be 28,402 hours for all SCI entities.

h. SCI Review Required by Rule 1003(b)

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

Rule 1003(b)(1) requires each SCI entity to conduct an SCI review of its compliance with Regulation SCI not less than once each calendar year, with an exception for penetration test reviews, which are required to be conducted not less than once every three years. Rule 1003(b)(1) also provides an exception for assessments of SCI systems directly supporting market regulation or market surveillance, which are required to be conducted at a frequency based on the risk assessment conducted as part of the SCI review, but in no case less than once every three years. Rule 1003(b)(2) requires each SCI entity to submit a report of the SCI review to senior management no more than 30 calendar days after completion of the review. The Commission estimates that the annual recordkeeping burden of conducting an SCI review and submitting the SCI review to senior management of the SCI entity for review will be approximately 690 hours for each SCI entity, and, on average, 33,810 hours annually for all SCI entities.¹⁵⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (690 hours each annually), or 3,450 hours annually for all such competing consolidators.

¹⁵⁰ 4 respondents x 15 hours = 60 hours.

¹⁵¹ 4 respondents x \$4,754 = \$19,016.

¹⁵² 24,500 hours for Rule 1003(a)(1) + 735 hours for Rule 1003(a)(2) = 25,235 hours.

¹⁵³ 25,235 hours ÷ 49 SCI entities = 515 hours per SCI entity.

¹⁵⁴ 32 hours (Rule 1002(b)(1)) + 480 hours (Rule 1002(b)(2)) + 42 hours (Rule 1002(b)(3)) + 700 hours (Rule 1002(b)(4)) + 640 hours (Rule 1002(b)(5)) = 1,894 hours per year.

¹⁵⁵ 690 hours × 49 SCI entities = 33,810 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$221,015 for each SCI entity,¹⁵⁶ or \$10,829,735 annually for all such SCI entities.¹⁵⁷ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$221,015 each), or on average, \$1,105,075 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these respondents is 2,760 hours,¹⁵⁸ with a monetized cost of \$884,060.¹⁵⁹ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$12,818,870.

The Commission estimates that the total average annual burden for complying with Rules 1003(b)(1) and 1003(b)(2), including the Infrastructure Rules, for all SCI entities will be 40,020 hours.

Rule 1003(b)(3) requires each SCI entity to submit the report of the SCI review to the Commission and to its board of directors or the equivalent of such board, together with any response by senior management, within 60 calendar days after its submission to senior management. These reports are required to be submitted on Form SCI. The Commission estimates that each SCI entity will require approximately 1 hour per year to submit the report of the SCI review and any response by senior management to the Commission and to its board of directors or the equivalent of such board, for a reporting burden of approximately 49 hours annually for all SCI entities.¹⁶⁰ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (1 hour each annually), or 5 hours annually for all such competing consolidators.

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

¹⁵⁷ \$221,015 x 49 = \$10,829,735.

¹⁵⁸ 4 respondents x 690 hours = 2,760 hours.

¹⁵⁹ 4 respondents x \$221,015 = \$884,060.

¹⁶⁰ 1 hour x 49 SCI entities = 49 hours.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these respondents is 4 hours,¹⁶¹ with a monetized cost of \$1,648.¹⁶²

The Commission estimates that the total average annual burden for complying with Rule 1003(b)(3), including the Infrastructure Rules, for all SCI entities will be 58 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing reporting burden will be \$412 for each SCI entity,¹⁶³ or \$20,188 annually for all such SCI entities.¹⁶⁴ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$412 each), or on average, \$2,060 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$23,896.

i. Access to EFFS

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

An SCI entity will submit to the Commission an EAUF to register each individual at the SCI entity who will access the EFFS system on behalf of the SCI entity. The Commission is including in its burden estimates the reporting burden for completing the EAUF for each individual at an SCI entity that will request access to EFFS. The Commission estimates that initially, on average, two individuals at each SCI entity will request access to EFFS through the EAUF, and each EAUF will require 0.15 hours to complete and submit. Therefore, each new SCI entity will initially require 0.3 hours to complete the requisite EAUFs,¹⁶⁵ or 0.6 hours

¹⁶¹ 4 respondents x 1 hour = 4 hours.

¹⁶² 4 respondents x \$412 = \$1,648.

¹⁶³ 1 Attorney hour x \$412 = \$412.

¹⁶⁴ \$412 x 49 = \$20,188.

¹⁶⁵ 0.15 hours per EAUF × 2 individuals = 0.3 hours per SCI entity.

annually for all new SCI entities.¹⁶⁶ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will each have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 0.15 burden hours.¹⁶⁷ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (0.3 hours each), or 1.2 hours annually for all such new SCI entities. This averages out to .139 hours per response, with 7 respondents and 2 responses per respondent.

The Commission estimates that the average cost associated with this initial burden will be \$124 for each new SCI entity,¹⁶⁸ or \$248 annually for all such new SCI entities.¹⁶⁹ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$62. Four SCI competing consolidators will have the same costs as other new SCI entities (\$124 each), or \$496 for all such new competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average initial burden for these respondents is 1.2 hours,¹⁷⁰ with a monetized cost of \$496.¹⁷¹ The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$1,302.

The Commission estimates that the total average initial burden for access to EFFS, including the Infrastructure Rules, for all such SCI entities will be 3.15 hours.

The Commission also estimates that annually, on average, one individual at each SCI entity will request access to EFFS through EAUF. Therefore, the ongoing burden to complete the EAUF will be 0.15 hours annually per SCI entity,¹⁷² or, on average, 7.35 hours annually for all SCI entities.¹⁷³ With respect to the Infrastructure Rules, the Commission notes that two of

¹⁶⁶ 0.30 hours × 2 new SCI entities = 0.6 hours.

¹⁶⁷ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

¹⁶⁸ 0.3 Attorney hour x \$412 = \$124.

¹⁶⁹ \$124 x 2 = \$248.

¹⁷⁰ 4 respondents x 0.3 hours = 1.2 hours.

¹⁷¹ 4 respondents x \$124 = \$496.

¹⁷² 0.15 hours per EAUF × 1 individual = 0.15 hours per SCI entity.

¹⁷³ 0.15 hours × 49 SCI entities = 7.35 hours.

the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burden as other SCI entities (.15 hours each annually), or .75 hours annually for all such SCI competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing burden will be \$62 for each SCI entity,¹⁷⁴ or \$3,038 annually for all such SCI entities.¹⁷⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$62 each), or on average, \$310 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual burden for these respondents is 0.6 hours,¹⁷⁶ with a monetized cost of \$248.¹⁷⁷ The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$3,596.00.

The Commission estimates that the total average annual burden for access to EFES, including the Infrastructure Rules, for all SCI entities will be 8.7 hours.

j. Corrective Action Required by Rule 1002(a)

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

Rule 1002(a) requires each SCI entity, upon any responsible SCI personnel having a reasonable basis to conclude that an SCI event has occurred, to begin to take appropriate corrective action. The Commission believes that Rule 1002(a) will likely result in SCI entities developing and revising their processes for corrective action. The Commission estimates that the initial recordkeeping burden to implement such a process will be 114 hours per new SCI entity, or 228 hours annually for all new SCI entities.¹⁷⁸ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated initial burdens for a new SCI entity, which will

¹⁷⁴ 0.15 Attorney hour x \$412 = \$62.

¹⁷⁵ \$62 x 49 = \$3,038.

¹⁷⁶ 4 respondents x 0.15 hours = 0.6 hours.

¹⁷⁷ 4 respondents x \$62 = \$248.

¹⁷⁸ 114 hours × 2 new SCI entities = 228 hours.

require an average of 57 burden hours.¹⁷⁹ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (114 hours), or 456 hours annually for all such new SCI entities.

The Commission estimates that the average internal cost of compliance associated with this initial recordkeeping burden will be \$42,528 for each new SCI entity,¹⁸⁰ or \$85,056 annually for all such new SCI entities.¹⁸¹ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidators will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$21,264 for such competing consolidator. Four SCI competing consolidators will have the same costs as other new SCI entities (\$42,528), or \$170,112 for all such new competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average initial burden for these respondents is 456 hours,¹⁸² with a monetized cost of \$170,112.¹⁸³ The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$446,544.

The Commission estimates that the total average initial burden for complying with Rule 1002(a), including the Infrastructure Rules, for all such SCI entities will be 1,197 hours.

The Commission also estimates that the ongoing recordkeeping burden to review such process will be 39 hours annually per SCI entity, or 1,911 hours annually for all SCI entities.¹⁸⁴ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (39 hours each annually), or 195 hours annually for all such competing consolidators.

¹⁷⁹ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

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

¹⁸¹ \$42,528 x 2 = \$85,056.

¹⁸² 4 respondents x 114 hours = 456 hours.

¹⁸³ 4 respondents x \$42,528 = \$170,112.

¹⁸⁴ 39 hours x 49 SCI entities = 1,911 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$15,397 for each SCI entity,¹⁸⁵ or \$754,453 for all such SCI entities.¹⁸⁶ With respect to the Infrastructure Rules, the Commission notes that one of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$15,397 each), or on average, \$76,985 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual ongoing burden for these respondents is 156 hours,¹⁸⁷ with a monetized cost of \$61,588.¹⁸⁸ The total average internal cost of compliance, including the Infrastructure Rules, of for all SCI entities will be \$893,026.

The Commission estimates that the total average annual ongoing burden for complying with Rule 1002(a), including the Infrastructure Rules, for all SCI entities will be 2,262 hours.

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

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

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

The Commission estimates that each new SCI entity will initially require 114 hours to establish the criteria for identifying material systems changes, or 228 hours annually for all such SCI entities.¹⁸⁹ With respect to the Infrastructure Rule, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will each have 50% of

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

¹⁸⁶ \$15,397 x 49 = \$754,453.

¹⁸⁷ 4 respondents x 39 hours = 456 hours.

¹⁸⁸ 4 respondents x \$15,397 = \$61,588.

¹⁸⁹ 114 hours x 2 new SCI entities = 456 hours.

the estimated initial burdens for a new SCI entity, which will require an average of 57 burden hours.¹⁹⁰ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (114 hours), or 456 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 741 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden will be \$42,528 for each new SCI entity,¹⁹¹ or \$85,056 annually for all such new SCI entities.¹⁹² With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$21,264. Four SCI competing consolidators will have the same costs as other new SCI entities (\$42,528), or \$170,112 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$276,432.

The Commission estimates that each SCI entity will require approximately 27 hours annually to review and update the criteria, or, on average, 1,323 hours annually for all such SCI entities.¹⁹³ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average ongoing burden as other SCI entities (27 hours each annually), or 135 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities 1,458 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$11,536 for each SCI entity,¹⁹⁴ or \$565,264 annually for all such SCI entities.¹⁹⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of

¹⁹⁰ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

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

¹⁹² \$42,528 x 2 = \$85,056.

¹⁹³ 27 hours x 49 SCI entities = 1,323 hours.

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

¹⁹⁵ \$11,536 x 49 = \$565,264.

the ten SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$11,536 each), or on average, \$57,680 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$622,944.

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

The Commission estimates that each new SCI entity will require 198 hours initially to establish the criteria for identifying certain systems and events, or 396 hours annually for all such SCI entities.¹⁹⁶ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated initial burdens for a new SCI entity, which will require an average of 99 burden hours.¹⁹⁷ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new SCI entities (198 hours), or 792 hours annually for all such new SCI entities. The total average initial burden, including the Infrastructure Rules, for all such SCI entities will be 1,287 hours.

The Commission estimates that the average annual internal cost of compliance associated with this initial recordkeeping burden will be \$69,706 for each new SCI entity,¹⁹⁸ or \$139,412 annually for all such new SCI entities.¹⁹⁹ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator will have 50% of the estimated average annual internal cost of compliance for a new SCI entity, which will be \$34,853. Four SCI competing consolidators will have the same costs as other new SCI entities (\$69,706), or \$278,824 for all such new competing consolidators. The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$453,089.

The Commission estimates that each SCI entity will require 39 hours annually to review

¹⁹⁶ 198 hours × 2 new SCI entities = 396 hours.

¹⁹⁷ Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

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

¹⁹⁹ \$69,706 x 2 = \$139,412.

and update such criteria, or, on average, 1,911 hours annually for all SCI entities.²⁰⁰ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five competing consolidators will have the same average ongoing burden as other SCI entities (39 hours each annually), or 195 hours annually for all such competing consolidators. The total average annual ongoing burden, including the Infrastructure Rules, for all SCI entities will be 2,106 hours.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$15,397 for each SCI entity,²⁰¹ or, on average, \$754,453 annually for all such SCI entities.²⁰² With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five of the seven SCI competing consolidators will have the same average annual internal cost of compliance as other SCI entities (\$15,397 each), or on average, \$76,985 annually for all such competing consolidators. The total average internal cost of compliance, including the Infrastructure Rules, for all SCI entities will be \$831,438.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total initial burden for these respondents is 1,248 hours,²⁰³ with a monetized cost of \$448,936.²⁰⁴ The Commission further estimates that the total ongoing burden for these respondents is 264 hours,²⁰⁵ with a monetized cost of \$107,732.²⁰⁶ The proposed revised estimated hourly burden, with the new respondents included, are summarized below.

²⁰⁰ 39 hours × 49 SCI entities = 1,911 hours.

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

²⁰² \$15,397 x 49 = \$754,453.

²⁰³ 4 respondents x 312 hours = 1,248 hours.

²⁰⁴ 4 respondents x \$112,234 = \$448,936.

²⁰⁵ 4 respondents x 66 hours = 264 hours.

²⁰⁶ 4 respondents x \$26,933 = \$107,732.

The Commission estimates that:

- The total average annual initial recordkeeping burden related to establishing criteria for identifying material systems changes, and certain systems and events, including the Infrastructure Rules, is 3,276 hours, and
- The total average annual ongoing recordkeeping burden related to establishing criteria for identifying material systems changes, and certain systems and events, including the Infrastructure Rules, is 3,828 hours.

1. Recordkeeping Required by Rules 1005 and 1007

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

The Commission estimates that, for each new SCI entity other than an SCI SRO, setting up or modifying a recordkeeping system to comply with Rule 1005 will create an initial burden of 170 hours, or 170 hours annually for all new SCI entities other than SCI SROs.²⁰⁷ With respect to the Infrastructure Rules, the Commission estimates that one competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated initial burdens for a new non-SRO SCI entity, which will require an average of 85 burden hours.²⁰⁸ Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new non-SRO SCI entities (170 hours), or 680 hours annually for all such new SCI entities.

The Commission estimates that the annual internal cost of compliance associated with this initial recordkeeping burden will be \$11,730 for each new SCI entity that is not an SRO.²⁰⁹ With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SROs or affiliated with an SRO will have 50% of the estimated initial burdens for a new non-SRO SCI entity, which will be \$5,865. Four SCI competing consolidators that are not already subject to Regulation SCI will have the same burdens as other new non-SRO SCI entities (\$11,730), or \$46,920 hours annually for all such new SCI entities.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden

²⁰⁷ 170 hours × 1 new non-SRO SCI entities = 170 hours.

²⁰⁸ Although one of the five SCI competing consolidators is an SRO or affiliated with an SRO, the Commission believes that this competing consolidator would have the same burdens as a non-SRO SCI entity for these particular ongoing burdens. Because the Commission is estimating a lower initial burden for this subset of SCI entities than for other new SCI entities, the burden hours per respondent will reflect an average of the burden estimates for all respondents.

²⁰⁹ 170 Compliance Clerk hours x \$69 per hour = \$11,730.

for compliance. The Commission estimates that the total average initial burden for these respondents is 680 hours,²¹⁰ with a monetized cost of \$46,920.²¹¹ The total annual internal cost of compliance associated with this initial recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$111,435.

The Commission estimates that the total average initial burden for complying with Rules 1005 and 1007, including the Infrastructure Rules, for all such SCI entities will be 1,615 hours.

The Commission also estimates that the burden to make, keep, and preserve records relating to compliance with Regulation SCI, as required by Rule 1005(b), will be approximately 25 hours annually per SCI entity that is not an SCI SRO. Therefore, the Commission estimates a total annual burden of 325 hours for all such SCI entities.²¹² With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same burdens as non-SRO SCI entities (25 hours),²¹³ or 125 burden hours annually for all such competing consolidators.

The Commission estimates that the average annual internal cost of compliance associated with this ongoing recordkeeping burden will be \$1,725 for each SCI entity that is not an SRO,²¹⁴ and, on average, \$22,425 annually for all such SCI entities.²¹⁵ With respect to the Infrastructure Rules, the Commission notes that two of the seven SCI competing consolidators that are the existing SIPs will have no additional burden (i.e., they have been included in the above estimates). The remaining five SCI competing consolidators will have the same average internal cost of compliance as non-SRO SCI entities, (\$1,725) or \$8,625 annually for all such competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual hourly burden for compliance. The Commission estimates that the total average annual ongoing burden for

²¹⁰ 4 respondents x 170 hours = 680 hours.

²¹¹ 4 respondents x \$11,730 = \$46,920.

²¹² 25 hours × 13 non-SRO SCI entities = 325 hours.

²¹³ Although one of the five SCI competing consolidators is an SRO or affiliated with an SRO, the Commission believes that this competing consolidator would have the same burdens as a non-SRO SCI entity for these particular ongoing burdens.

²¹⁴ 25 Compliance Clerk hours x \$69 per hour = \$1,725.

²¹⁵ \$1,725 x 13 non-SRO SCI entities = \$22,425.

these respondents is 100 hours,²¹⁶ with a monetized cost of \$6,900.²¹⁷ The total annual internal cost of compliance associated with this ongoing recordkeeping burden, including the Infrastructure Rules, for all such SCI entities will be \$37,950.

The Commission estimates that the total average annual ongoing burden for complying with Rules 1005 and 1007, including the Infrastructure Rules, for all such SCI entities will be 550 hours.

²¹⁶ 4 respondents x 25 hours = 100 hours.

²¹⁷ 4 respondents x \$1,725 = \$6,900.

m. Summary of Hourly Burdens

The table below breaks down the Commission's estimate of the 166,132 total hourly burden and \$48,561,114 total internal costs of compliance for SCI entities under Regulation SCI. The total hourly burden estimate for each information collection is further broken down to show the previously-approved inventory summed with the estimated hourly burden created by the 2022 Reg ATS Proposing Release.

IC	Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
1	Policies and procedures required by Rule 1001(a) – initial burden	7,287.00 (Recordkeeping) (4,511 approved hourly burden + 2,776 Reg ATS rulemaking burden)	\$2,444,694 (Recordkeeping) (\$1,513,382 approved hourly burden + \$931,312 Reg ATS rulemaking burden)
2	Policies and procedures required by Rule 1001(a) – ongoing burden	13,456 (Recordkeeping) (12,528 approved hourly burden + 928 Reg ATS rulemaking burden)	\$4,516,924 (Recordkeeping) (\$4,205,412 approved hourly burden + \$311,512 Reg ATS rulemaking burden)
3	Policies and procedures required by Rule 1001(b) – initial burden	2,835 (Recordkeeping) (1,755 approved hourly burden + 1,080 Reg ATS rulemaking burden)	\$1,015,800 (Recordkeeping) (\$660,270 approved hourly burden + \$355,530 Reg ATS rulemaking burden)
4	Policies and procedures required by Rule 1001(b) – ongoing burden – SCI SRO	6,300 (Recordkeeping) (6,300 approved hourly burden + 0 Reg ATS rulemaking burden)	\$1,975,500 (Recordkeeping) (\$1,975,500 approved hourly burden + \$0 Reg ATS rulemaking burden)
5	Policies and procedures required	2,090 (Recordkeeping)	\$689,810 (Recordkeeping)

IC	Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
	by Rule 1001(b) – ongoing burden – non-SRO SCI entity	(1,710 approved hourly burden + 380 Reg ATS rulemaking burden)	(\$564,390 approved hourly burden + \$125,420 Reg ATS rulemaking burden)
6	Policies and procedures required by Rule 1001(c) – initial burden	1,197.00 (Recordkeeping) (741 approved hourly burden + 456 Reg ATS rulemaking burden)	\$446,544 (Recordkeeping) (\$276,432 approved hourly burden + \$170,112 Reg ATS rulemaking burden)
7	Policies and procedures required by Rule 1001(c) – ongoing burden	2,262 (Recordkeeping) (2,106 approved hourly burden + 156 Reg ATS rulemaking burden)	\$901,784 (Recordkeeping) (\$839,592 approved hourly burden + \$62,192 Reg ATS rulemaking burden)
8	Mandate participation in certain testing required by Rule 1004 – initial burden	4,140 (Recordkeeping) (2,700 approved hourly burden + 1,440 Reg ATS rulemaking burden)	\$1,233,927.00 (Recordkeeping) (\$804,735 approved hourly burden + \$429,192 Reg ATS rulemaking burden)
9	Mandate participation in certain testing required by Rule 1004– ongoing burden	7,830 (Recordkeeping) (7,290 approved hourly burden + 540 Reg ATS rulemaking burden)	\$2,083,650 (Recordkeeping) (\$1,939,950 approved hourly burden + \$143,700 Reg ATS rulemaking burden)
10	SCI event notice required by Rule 1002(b)(1)	464 (Reporting)	\$142,886 (Reporting)

IC	Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
		(432 approved hourly burden + 32 Reg ATS rulemaking burden)	(\$133,030 approved hourly burden + \$9,856 Reg ATS rulemaking burden)
11	SCI event notice required by Rule 1002(b)(2)	6,960 (Reporting) (6,480 approved hourly burden + 480 Reg ATS rulemaking burden)	\$2,293,030 (Reporting) (\$2,134,890 approved hourly burden + \$158,140 Reg ATS rulemaking burden)
12	SCI event notice required by Rule 1002(b)(3)	609 (Reporting) (567 approved hourly burden + 42 Reg ATS rulemaking burden)	\$190,226 (Reporting) (\$177,107 approved hourly burden + \$13,119 Reg ATS rulemaking burden)
13	SCI event notice required by Rule 1002(b)(4)	10,150 (Reporting) (9,450 approved hourly burden + 700 Reg ATS rulemaking burden)	\$3,541,770 (Reporting) (\$3,297,510 approved hourly burden + \$244,260 Reg ATS rulemaking burden)
14	SCI event notice required by Rule 1002(b)(5)	9,280 (Reporting) (8,640 approved hourly burden + 640 Reg ATS rulemaking burden)	\$3,135,596 (Reporting) (\$2,919,348 approved hourly burden + \$216,248 Reg ATS rulemaking burden)
15	Dissemination of information required by Rule 1002(c)(1)(i)	1,218 (Third Party Disclosure) (1,134 approved hourly burden + 84	\$796,490 (Third Party Disclosure) (\$741,558 approved hourly burden +

IC	Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
		Reg ATS rulemaking burden)	\$54,932 Reg ATS rulemaking burden)
16	Dissemination of information required by Rule 1002(c)(1)(ii)	6,786 (Third Party Disclosure) (6,318 approved hourly burden + 468 Reg ATS rulemaking burden)	\$2,680,992 (Third Party Disclosure) (\$2,496,096 approved hourly burden + \$184,896 Reg ATS rulemaking burden)
17	Dissemination of information required by Rule 1002(c)(2)	580 (Third Party Disclosure) (540 approved hourly burden + 40 Reg ATS rulemaking burden)	\$228,591 (Third Party Disclosure) (\$212,827 approved hourly burden + \$15,764 Reg ATS rulemaking burden)
18	Material systems change notice required by Rule 1003(a)(1)	29,000 (Reporting) (27,000 approved hourly burden + 2,000 Reg ATS rulemaking burden)	\$8,661,140 (Reporting) (\$8,063,820 approved hourly burden + \$597,320 Reg ATS rulemaking burden)
19	Material systems change notice required by Rule 1003(a)(2)	870 (Reporting) (810 approved hourly burden + 60 Reg ATS rulemaking burden)	\$275,732 (Reporting) (\$256,716 approved hourly burden + \$19,016 Reg ATS rulemaking burden)
20	SCI review required by Rules 1003(b)(1) and (b)(2)	40,020 (Recordkeeping) (37,260 approved hourly burden + 2,760 Reg ATS rulemaking burden)	\$12,818,870 (Recordkeeping) (\$11,934,810 approved hourly burden + \$884,060 Reg ATS rulemaking burden)

IC	Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
21	SCI review required by Rule 1003(b)(3)	58 (Reporting) (54 approved hourly burden + 4 Reg ATS rulemaking burden)	\$23,896 (Reporting) (\$22,248 approved hourly burden + \$1,648 Reg ATS rulemaking burden)
22	Access to EFFS – new entities	3 (Reporting) (2 approved hourly burden + 1 Reg ATS rulemaking burden)	\$1,302 (Reporting) (\$806 approved hourly burden + \$496 Reg ATS rulemaking burden)
23	Access to EFFS – existing entities	9 (Reporting) (8.1 approved hourly burden + 0.6 Reg ATS rulemaking burden)	\$3,596 (Reporting) (\$3,348 approved hourly burden + \$248 Reg ATS rulemaking burden)
24	Corrective action required by Rule 1002(a) – initial burden	1,197 (Reporting) (741 approved hourly burden + 456 Reg ATS rulemaking burden)	\$446,544 (Reporting) (\$276,432 approved hourly burden + \$170,112 Reg ATS rulemaking burden)
25	Corrective action required by Rule 1002(a) – ongoing burden	2,262 (Reporting) (2,106 approved hourly burden + 156 Reg ATS rulemaking burden)	\$893,026 (Reporting) (\$831,438 approved hourly burden + \$61,588 Reg ATS rulemaking burden)
26	Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – initial burden	3,276 (Recordkeeping) (2,028 approved hourly burden + 1,248 Reg ATS rulemaking burden)	\$1,178,457.00 (Recordkeeping) (\$729,521 approved hourly burden + \$448,936 Reg ATS rulemaking burden)

IC	Nature of Information Collection Burden	Annualized Aggregate Hourly Burden Estimate	Annualized Internal Cost of Compliance Estimate
27	Identification of critical SCI systems, major SCI events, de minimis SCI events, and material systems changes – ongoing burden	3,828 (Recordkeeping) (3,564 approved hourly burden + 264 Reg ATS rulemaking burden)	\$1,562,114 (Recordkeeping) (\$1,454,382 approved hourly burden + \$107,732 Reg ATS rulemaking burden)
28	Recordkeeping required by Rules 1005 and 1007 – initial burden	1,615 (Recordkeeping) (935 approved hourly burden + 680 Reg ATS rulemaking burden)	\$111,435 (Recordkeeping) (\$64,515 approved hourly burden + \$46,920 Reg ATS rulemaking burden)
29	Recordkeeping required by Rules 1005 and 1007 – ongoing burden	550 (Recordkeeping) (450 approved hourly burden + 100 Reg ATS rulemaking burden)	\$37,950 (Recordkeeping) (\$31,050 approved hourly burden + \$6,900 Reg ATS rulemaking burden)
TOTAL	166,132 (148,160 approved hourly burden + 17,972 Reg ATS rulemaking burden)	\$54,383,065 (\$48,561,114 approved monetized hourly burden + \$5,821,951 Reg ATS rulemaking burden)	

13. Costs to Respondents

Each of the individual information collections in Regulation SCI is described in the subsections below. NOTE: consistent with Item 12 above, the changes to the burdens that resulted from the recent Infrastructure amendments to Regulation SCI are discussed separately.

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

Rule 1001(a) imposes recordkeeping costs for SCI entities. In establishing, maintaining, and enforcing the policies and procedures required by Rule 1001(a), the Commission believes

that each new SCI entity will seek outside legal and/or consulting services in the initial preparation of such policies and procedures. The total annualized recordkeeping cost of seeking outside legal and/or consulting services will be \$94,000 for all new SCI entities²¹⁸ (\$47,000 for the first year × 2 new SCI entities), or \$47,000 per new SCI entity. With respect to the Infrastructure Rules, the Commission estimates that one SCI competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated annualized recordkeeping cost for a new SCI entity, which will be \$23,500.²¹⁹ Four SCI competing consolidators will have the same costs as other new SCI entities (\$47,000), or \$188,000 for all such new competing consolidators.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden for compliance. The Commission estimates that the total annualized cost burden for these respondents is \$188,000.²²⁰

The total annualized recordkeeping cost, including the Infrastructure Rules, for all such SCI entities will be \$493,500.

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

Rule 1001(b) imposes recordkeeping costs for SCI entities. In establishing, maintaining, and enforcing the policies and procedures required by Rule 1001(b), the Commission believes that each new SCI entity will seek outside legal and/or consulting services in the initial preparation of such policies and procedures. The total annualized cost of seeking outside legal and/or consulting services will be \$54,000 (\$27,000 for the first year × 2 new SCI entities), or \$27,000 per new SCI entity. With respect to the Infrastructure Rules, the Commission estimates that one competing consolidator that is currently an SRO or affiliated with an SRO will have 50% of the estimated annualized cost for a new SCI entity, which will be \$13,500. Four competing consolidators will have the same costs as other new SCI entities (\$27,000), or \$108,000 for all such new competing consolidators.²²¹

Regulation ATS Rulemaking

²¹⁸ See *supra* note 22.

²¹⁹ Because the Commission is estimating a lower initial cost for this subset of SCI entities than for other new SCI entities, the cost per respondent will reflect an average of the cost estimates for all respondents.

²²⁰ 4 respondents x \$47,000 = \$188,000.

²²¹ Because the Commission is estimating a lower initial cost for this subset of SCI entities than for other new SCI entities, the cost per respondent will reflect an average of the cost estimates for all respondents.

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden for compliance. The Commission estimates that the total average annual cost burden for these respondents is \$108,000.²²²

The total annualized recordkeeping cost, including the Infrastructure Rules, for all such SCI entities will be \$283,500.

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

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

d. Mandate Participation in Certain Testing Required by Rule 1004

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

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

Rule 1002(b) imposes reporting costs for SCI entities. The Commission estimates that while SCI entities will handle internally most of the work associated with Rule 1002(b), SCI entities will seek outside legal advice in the preparation of certain Commission notifications. The total annual reporting cost of seeking outside legal advice will be \$284,200 for all SCI entities (\$5,800 × 49 SCI entities). Because Rule 1002(b) will impose approximately 21 reporting requirements per SCI entity per year, each requirement will require an average of \$276.19.²²³ With respect to the Infrastructure Rules, the total annual reporting cost of seeking outside legal advice for five of the seven SCI competing consolidators will be \$29,000 (\$5,800 × 5 competing consolidators).²²⁴ The total annual reporting cost, including the Infrastructure Rules, for all SCI entities will be \$313,200.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden

²²² 4 respondents x \$27,000 = \$108,000.

²²³ \$5,800 per SCI entity ÷ 21 requirements = \$276.1905 per requirement per SCI entity.

²²⁴ As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

for compliance. The Commission estimates that these respondents would create the following cost burden for each paragraph of Rule 1002(b):

- SCI event notice required by Rule 1002(b)(1): \$5,524.00;²²⁵
- SCI event notice required by Rule 1002(b)(2): \$5,524.00;²²⁶
- SCI event notice required by Rule 1002(b)(3): \$2,210.00;²²⁷
- SCI event notice required by Rule 1002(b)(4): \$5,524.00;²²⁸ and
- SCI event notice required by Rule 1002(b)(5): \$4,419.00.²²⁹

Thus, the Commission estimates the following total cost burdens for each paragraph of Rule 1002(b):

- SCI event notice required by Rule 1002(b)(1): \$80,095;²³⁰
- SCI event notice required by Rule 1002(b)(2): \$80,095;²³¹
- SCI event notice required by Rule 1002(b)(3): \$32,039;²³²
- SCI event notice required by Rule 1002(b)(4): \$80,095;²³³ and
- SCI event notice required by Rule 1002(b)(5): \$64,076.²³⁴

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

Rule 1002(c) imposes third party disclosure costs for SCI entities. The Commission believes SCI entities will seek outside legal advice in the preparation of the information dissemination under Rule 1002(c). The total annual third party disclosure cost of seeking outside legal advice will be \$162,680 (\$3,320 per SCI entity per year × 49 SCI entities). Because Rule

²²⁵ \$276.1905 per requirement per SCI entity * 5 requirements * 4 respondents = \$5,524.00.

²²⁶ \$276.1905 per requirement per SCI entity * 5 requirements * 4 respondents = \$5,524.00.

²²⁷ \$276.1905 per requirement per SCI entity * 2 requirements * 4 respondents = \$2,210.00.

²²⁸ \$276.1905 per requirement per SCI entity * 5 requirements * 4 respondents = \$5,524.00.

²²⁹ \$276.1905 per requirement per SCI entity * 4 requirements * 4 respondents = \$4,419.00.

²³⁰ \$276.1905 per requirement per SCI entity * 5 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$5,524.00 Reg ATS rulemaking cost burden = \$80,095.

²³¹ \$276.1905 per requirement per SCI entity * 5 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$5,524.00 Reg ATS rulemaking cost burden = \$80,095.

²³² \$276.1905 per requirement per SCI entity * 2 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$2,210.00 Reg ATS rulemaking cost burden = \$32,039.

²³³ \$276.1905 per requirement per SCI entity * 5 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$5,524.00 Reg ATS rulemaking cost burden = \$80,095.

²³⁴ \$276.1905 per requirement per SCI entity * 4 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$4,419.00 Reg ATS rulemaking cost burden = \$64,076.

1002(c) will impose approximately 13 third party disclosure requirements per SCI entity per year, each requirement will require an average of \$255.38.²³⁵ With respect to the Infrastructure Rules, the total annual reporting cost of seeking outside legal advice for five of the seven competing consolidators will be \$16,600 (\$3,320 x 5 SCI competing consolidators).²³⁶ The total annual reporting cost, including the Infrastructure Rules, for all SCI entities will be approximately \$179,280.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden for compliance. The Commission estimates that these respondents would create the following cost burden for each paragraph of Rule 1002(c):

- Dissemination of information required by Rule 1002(c)(1)(i): \$3,064.62;²³⁷
- Dissemination of information required by Rule 1002(c)(1)(ii): \$9,193.86;²³⁸ and
- Dissemination of information required by Rule 1002(c)(2): \$1,021.54.²³⁹

Thus, the Commission estimates the following total cost burdens for each paragraph of Rule 1002(c):

- Dissemination of information required by Rule 1002(c)(1)(i): \$44,437;²⁴⁰
- Dissemination of information required by Rule 1002(c)(1)(ii): \$133,309;²⁴¹ and
- Dissemination of information required by Rule 1002(c)(2): \$14,813.²⁴²

²³⁵ \$3,320 per SCI entity ÷ 13 requirements = \$255.385 per requirement per SCI entity.

²³⁶ As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

²³⁷ \$255.385 per requirement per SCI entity * 3 requirements * 4 respondents = \$3,064.62.

²³⁸ \$255.385 per requirement per SCI entity * 9 requirements * 4 respondents = \$9,193.86.

²³⁹ \$255.385 per requirement per SCI entity * 1 requirement * 4 respondents = 1,021.54.

²⁴⁰ \$255.385 per requirement per SCI entity * 3 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$3,064.62 Reg ATS rulemaking cost burden = \$44,437.

²⁴¹ \$255.385 per requirement per SCI entity * 9 requirements * 54 (49 SCI entities + 5 SCI competing consolidators) + \$9,193.86 Reg ATS rulemaking cost burden = \$133,309.

²⁴² \$255.385 per requirement per SCI entity * 1 requirement * 54 (49 SCI entities + 5 SCI competing consolidators) + \$1,021.54 Reg ATS rulemaking cost burden = \$14,813.

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

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

h. SCI Review Required by Rule 1003(b)

Rule 1003(b) imposes recordkeeping costs for SCI entities. The Commission estimates that while SCI entities will handle internally some or most of the work associated with compliance with Rule 1003(b), SCI entities will outsource some of the work associated with an SCI review. The total annual recordkeeping cost of outsourcing will be \$2,450,000 (\$50,000 × 49 SCI entities). With respect to the Infrastructure Rules, the total annual recordkeeping cost of outsourcing for five of the seven competing consolidators will be \$250,000 (\$50,000 x 5 SCI competing consolidators).²⁴³

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden for compliance. The Commission estimates that the total average annual cost burden for these respondents is \$200,000.00.²⁴⁴

The total annual recordkeeping cost, including the Infrastructure Rules, for all SCI entities will be \$2,900,000.

i. Access to EFFS

As noted above, Rule 1006 requires each SCI entity, with a few exceptions, to file any notification, review, description, analysis, or report to the Commission required under Regulation SCI electronically on Form SCI. Obtaining the ability for an individual to electronically sign a Form SCI imposes reporting costs for SCI entities. The Commission estimates that each SCI entity will designate two individuals to sign Form SCI each year, and each such individual must obtain a digital ID at the cost of approximately \$25 each year. Therefore, each SCI entity will require \$50 annually to obtain digital IDs,²⁴⁵ or \$2,450 for all SCI entities.²⁴⁶ With respect to the Infrastructure Rules, the Commission estimates that the

²⁴³ As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

²⁴⁴ 4 respondents x \$50,000= \$200,000.00.

²⁴⁵ \$25 per digital ID × 2 individuals = \$50.

²⁴⁶ \$50 per SCI entity × 49 SCI entities = \$2,450.

total cost annually to obtain digital IDs for five of the seven SCI competing consolidators will be \$250.²⁴⁷

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden for compliance. The Commission estimates that the total average annual cost burden for these respondents is \$200.²⁴⁸

The total annual cost, including the Infrastructure Rules, for all SCI entities will be \$2,900.

j. Corrective Action Required by Rule 1002(a)

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

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

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

l. Recordkeeping Required by Rules 1005 and 1007

The recordkeeping requirements impose recordkeeping costs for SCI entities other than SCI SROs. The Commission estimates that a new SCI entity other than an SCI SRO will incur a one-time recordkeeping cost of \$900 to set up or modify an existing recordkeeping system to comply with the recordkeeping requirements.²⁴⁹ In addition, with respect to the Infrastructure Rules, the Commission estimates that five of the seven SCI competing consolidators will have the same recordkeeping cost as non-SRO SCI entities, (\$900) or \$4,500 annually for all such competing consolidators.²⁵⁰

²⁴⁷ As discussed above, two of the seven SCI competing consolidators that are the existing SIPs would have no additional burden (i.e., they have been included in the above estimates of other SCI entities).

²⁴⁸ 4 respondents x \$50 = \$200.

²⁴⁹ See supra note **Error! Bookmark not defined.** (estimating 1 new non-SRO SCI entity per year).

²⁵⁰ See supra note 213.

Regulation ATS Rulemaking

As discussed above, this proposed PRA revision modifies the approved inventory for this OMB Control Number to add 4 new respondents but does not change the individual cost burden for compliance. The Commission estimates that the total average annual cost burden for these respondents is \$3,600.²⁵¹

The total recordkeeping cost, including the Infrastructure Rules, will be \$9,000 for all SCI entities.

m. Summary of Cost Burdens

The table below breaks down the Commission’s estimate of the \$4,288,859 total cost burden for SCI entities under Regulation SCI. The total cost burden estimate for each information collection is further broken down to show the previously-approved inventory added to the estimated cost burden created by the 2022 Reg ATS Proposing Release.

IC	Nature of Information Collection Burden	Burden Estimate in Dollars
1	Policies and procedures required by Rule 1001(a)	\$493,500 (Recordkeeping) (\$305,500 approved cost burden + \$188,000 Reg ATS rulemaking burden)
3	Policies and procedures required by Rule 1001(b)	\$283,500 (Recordkeeping) (\$175,500 approved cost burden + \$108,000 Reg ATS rulemaking burden)
30	Mandate participation in certain testing required by Rule 1004	\$108,000 (Recordkeeping) (\$108,000 approved cost burden + \$0 Reg ATS rulemaking burden)
10 11 12 13 14	SCI event notice required by Rule 1002(b) - This requirement is broken out into the following individual ICs: Paragraph (b)(1): Paragraph (b)(2): Paragraph (b)(3):	\$336,400 (Sum Total) (Reporting) \$80,095 (\$74,571 approved + \$5,524 Reg ATS)

²⁵¹ 4 respondents x \$900 = \$3,600.

IC	Nature of Information Collection Burden	Burden Estimate in Dollars
	Paragraph (b)(4): Paragraph (b)(5):	\$80,095 (\$74,571 approved + \$5,524 Reg ATS) \$32,039 (\$29,829 approved + \$2,210 Reg ATS) \$80,095 (\$74,571 approved + \$5,524 Reg ATS) \$64,076 (\$59,657 approved + \$4,419 Reg ATS)
15 16 17	Dissemination of information required by Rule 1002(c) - This requirement is broken out into the following ICs: Paragraph (c)(1)(i): Paragraph (c)(1)(ii): Paragraph (c)(2):	\$192,559 (Sum Total) (Third Party Disclosure) \$44,437 (\$41,372 approved + \$3,065 Reg ATS) \$133,309 (\$124,115 approved + \$9,194 Reg ATS) \$14,813 (\$13,791 approved + \$1,022 Reg ATS)
20	SCI review required by Rules 1003(b)(1) and (b)(2)	\$2,900,000 (Recordkeeping) (\$2,700,000 approved cost burden + \$200,000 Reg ATS rulemaking burden)
31	Access to EFFS	\$2,900 (Reporting) (\$2,700 approved cost burden + \$200 Reg ATS rulemaking burden)

IC	Nature of Information Collection Burden	Burden Estimate in Dollars
28	Recordkeeping required by Rules 1005 and 1007 – initial burden	\$9,000 (Recordkeeping) (\$5,400 approved cost burden + \$3,600 Reg ATS rulemaking burden)
TOTAL	\$4,325,857 (\$3,789,577 approved cost burden + \$536,280 Reg ATS rulemaking burden)	

14. Costs to Federal Government

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

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

15. Changes in Burden

The estimated hourly burden has increased from 147,965 to 165,937 due to the addition of 4 respondents estimated in the 2022 Reg ATS Proposing Release. The estimated cost burden has increased from \$3,789,577 to \$4,325,857 for the same reason. For detailed breakdowns of the increase, see Items 12 and 13, respectively, above.

16. Information Collections Planned for Statistical Purposes

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

17. Approval to Omit OMB Expiration Date

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

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.