

**SUPPORTING STATEMENT**  
**for the Paperwork Reduction Act Information Collection Submission for**  
**Rule 17Ad-22**  
**OMB Control No. 3235-0695**  
**Proposed Partial Revision**

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

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

Current Regulatory Framework for Clearing Agencies

i. Exchange Act

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

Clearing agencies are broadly defined in the Exchange Act and undertake a variety of functions.<sup>3</sup> Under Section 17A of the Exchange Act and Rule 17Ab2-1 under the Exchange Act, an entity that meets the definition of a clearing agency is required to register with the Commission or obtain from the Commission an exemption from registration prior to performing the functions of a clearing agency.<sup>4</sup> To grant registration to a clearing agency, the Exchange Act requires the Commission to determine that the rules and operations of the applicant clearing agency meet the standards set forth in Section 17A of the Exchange Act.<sup>5</sup> Specifically, Section

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

<sup>2</sup> See 15 U.S.C. 78q-1(a)(2)(A).

<sup>3</sup> See 15 U.S.C. 78c(a)(23)(A) (providing the definition of “clearing agency”); see also Exchange Act Release No. 71699 (Mar. 12, 2014), 79 FR 16865 (Mar. 26, 2014), corrected at 79 FR 29507, 29510–11 (May 22, 2014) (“2014 Proposing Release”); Exchange Act Release No. 68080 (Oct. 22, 2012), 77 FR 66219, 66221–22 (Nov. 2, 2012) (discussing the same) (“2012 Adopting Release”).

<sup>4</sup> See 15 U.S.C. 78q-1; 17 CFR 240.17Ab2-1.

<sup>5</sup> See 15 U.S.C. 78q-1(b)(3)(A)–(I) (identifying nine determinations that the Commission must make regarding the rules and structure of a clearing agency to grant registration). In 1980, the Commission published a statement of the views and positions of Commission regarding the requirements of Section 17A. See Exchange Act

17A(b)(3) provides that a clearing agency shall not be registered unless the Commission determines that the clearing agency's rules are consistent with the Exchange Act. In so doing, the Commission must determine that, among other things, (i) the clearing agency is so organized and has the capacity to be able to facilitate the prompt and accurate clearance and settlement of securities transactions and to safeguard securities or funds in its custody or control, (ii) the rules of the clearing agency assure a fair representation of its members and participants in the selection of its directors and administration of its affairs, (iii) the rules of the clearing agency provide for the equitable allocation of reasonable dues and fees, and (iv) the rules of the clearing agency are designed to promote the prompt and accurate clearance and settlement of securities transactions.<sup>6</sup>

Following this registration process, the Commission supervises registered clearing agencies using various tools. One of these tools is the rule filing process for self-regulatory organizations ("SROs"), set forth in Section 19(b) of the Exchange Act and rules and regulations thereunder.<sup>7</sup> A registered clearing agency is required to file with the Commission any proposed rule or proposed change in, addition to, or deletion from the registered clearing agency's rules.<sup>8</sup> The Commission publishes all proposed rule changes for comment and reviews them. Proposed rule changes are generally required to be approved by the Commission prior to going into effect.<sup>9</sup> When reviewing a proposed rule change, the Commission considers the submissions of the clearing agency together with any comments received on the proposed rule change in making a determination of whether the proposed rule change is consistent with the requirements of the Exchange Act. Further, Section 17A of the Exchange Act provides the Commission with authority to adopt rules as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Exchange Act and prohibits a clearing agency from engaging in any activity in contravention of such rules and regulations.<sup>10</sup>

In addition, Commission staff conducts examinations of registered and exempt clearing agencies to assess, among other things, existing and emerging risks, compliance with applicable statutory and regulatory requirements (including any terms and conditions set forth in an order granting registration or an exemption from registration), and a clearing agency's oversight of compliance by its participants with its rules. Section 21(a) of the Exchange Act provides the Commission with authority to initiate and conduct investigations to determine if there have been

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Release No. 16900 (June 17, 1980), 45 FR 41920 (June 23, 1980).

<sup>6</sup> See 15 U.S.C. 78q-1(b)(3)(A), (C), (D), (F).

<sup>7</sup> Upon registration, registered clearing agencies are SROs under Section 3(a)(26) of the Exchange Act. See 15 U.S.C. 78c(a)(26).

<sup>8</sup> An SRO must submit proposed rule changes to the Commission for review and approval pursuant to Rule 19b-4 under the Exchange Act. A stated policy, practice, or interpretation of an SRO, such as its written policies and procedures, would generally be deemed to be a proposed rule change. See 15 U.S.C. 78s(b)(1); 17 CFR 240.19b-4.

<sup>9</sup> See 15 U.S.C. 78s(b)(3)(A) (setting forth the types of proposed rule changes that take effect upon filing with the Commission). The Commission may temporarily suspend those rule changes within 60 days of filing and institute proceedings to determine whether to approve or disapprove the rule changes. See 15 U.S.C. 78s(b)(3)(C).

<sup>10</sup> See 15 U.S.C. 78q-1(d).

violations of the federal securities laws.<sup>11</sup> Section 19(h) of the Exchange Act also provides the Commission with authority to institute civil actions seeking injunctive and other equitable remedies and/or administrative proceedings arising out of such investigations.<sup>12</sup>

ii. Dodd-Frank Act

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) provides the Commission with authority to regulate certain over-the-counter (“OTC”) derivatives. Specifically, Title VII added provisions to the Exchange Act that (i) require entities performing the functions of a clearing agency with respect to security-based swaps (“security-based swap clearing agencies”) to register with the Commission, and (ii) direct the Commission to adopt rules with respect to security-based swap clearing agencies.<sup>13</sup>

In addition, the Payment, Clearing, and Settlement Supervision Act of 2010 (“Clearing Supervision Act”), enacted in Title VIII of the Dodd-Frank Act, provides for the enhanced regulation of certain financial market utilities (“FMUs”).<sup>14</sup> FMUs include clearing agencies that manage or operate a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the FMU.<sup>15</sup> The Financial Stability Oversight Council (“FSOC”) has designated certain FMUs as systemically important or likely to become systemically important (“SIFMUs”).<sup>16</sup> The Commission is the supervisory agency for four SIFMUs: DTC, FICC, NSCC, and OCC. The Commission jointly regulates ICC and OCC with the Commodity Futures Trading Commission (“CFTC”). The Commission also jointly regulates ICE Clear Europe and LCH SA, which have not been designated as systemically important by FSOC, with various other regulators, including the CFTC and the Bank of England.

SIFMUs are required to file 60-days advance notice of changes to rules, procedures, and operations that could materially affect the nature or level of risk presented by the SIFMU

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<sup>11</sup> See 15 U.S.C. 78u(a).

<sup>12</sup> See 15 U.S.C. 78s(h).

<sup>13</sup> See 15 U.S.C. 78q-1(i), (j); Dodd-Frank Act, Sec. 763(b), 124 Stat. at 1768–69 (adding paragraphs (i) and (j) to Section 17A of the Exchange Act).

<sup>14</sup> The objectives and principles for the risk management standards prescribed under the Clearing Supervision Act shall be to (i) promote robust risk management; (ii) promote safety and soundness; (iii) reduce systemic risks; and (iv) support the stability of the broader financial system. See 12 U.S.C. 5464(b).

<sup>15</sup> See 12 U.S.C. 5462(6).

<sup>16</sup> See 12 U.S.C. 5463. An FMU is systemically important if the failure of or a disruption to the functioning of such FMU could create or increase the risk of significant liquidity or credit problems spreading among financial institutions or markets and thereby threaten the stability of the U.S. financial system. See 12 U.S.C. 5462(9). The following registered clearing agencies have been designated as systemically important by the FSOC: CME Group (“CME”), The Depository Trust Company (“DTC”), Fixed Income Clearing Corporation (“FICC”), ICE Clear Credit (“ICC”), National Securities Clearing Corporation (“NSCC”), and The Options Clearing Corporation (“OCC”).

(“advance notice”).<sup>17</sup> The Clearing Supervision Act authorizes the Commission to object to changes proposed in such an advance notice, which would prevent the clearing agency from implementing the change.<sup>18</sup> The Clearing Supervision Act also provides for enhanced coordination between the Commission and Board of Governors of the Federal Reserve System (“FRB”) by allowing for regular on-site examinations and information sharing.<sup>19</sup> The Clearing Supervision Act further provides that the Commission and CFTC shall coordinate with the FRB to jointly develop risk management supervision programs for SIFMUs.<sup>20</sup> In addition, the Clearing Supervision Act provides that the Commission and CFTC may each prescribe risk management standards governing the operations related to payment, clearing, and settlement activities of SIFMUs for which each is the supervisory agency, in consultation with the FSOC and FRB and taking into consideration relevant international standards and existing prudential requirements.<sup>21</sup>

iii. Rule 17Ad-22

In 2012, the Commission adopted Rule 17Ad-22 under the Exchange Act to strengthen the substantive regulation of clearing agencies, promote the safe and reliable operation of covered clearing agencies, and improve efficiency, transparency, and access to covered clearing agencies.<sup>22</sup> At that time, the Commission noted that the implementation of Rule 17Ad-22 would be an important first step in developing the regulatory changes contemplated by Titles VII and VIII of the Dodd-Frank Act.<sup>23</sup> In 2016, the Commission adopted Rule 17Ad-22(e), building on the existing framework by establishing enhanced requirements for registered clearing agencies that meet the definition of a “covered clearing agency.”<sup>24</sup> In 2020, the Commission adopted amendments to the definition of “covered clearing agency” and certain other definitions under Rule 17Ad-22 so that the definitions encompass all registered clearing agencies performing the functions of a central counterparty (“CCP”) or central securities depository (“CSD”).<sup>25</sup>

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<sup>17</sup> See 12 U.S.C. 5465(e)(1)(A); 17 CFR 240.19b-4(n). The Commission published a final rule concerning the filing of advance notices for designated clearing agencies in 2012. See Exchange Act Release No. 67286 (June 28, 2012), 77 FR 41602 (July 13, 2012).

<sup>18</sup> See 12 U.S.C. 5465(e).

<sup>19</sup> See 12 U.S.C. 5466.

<sup>20</sup> See 12 U.S.C. 5472; see also Risk Management Supervision of Designated Clearing Entities (July 2011), <https://www.federalreserve.gov/publications/other-reports/files/risk-management-supervision-report-201107.pdf> (describing the joint supervisory framework of the Commission, CFTC, and FRB).

<sup>21</sup> See 12 U.S.C. 5464(a)(2).

<sup>22</sup> See 17 CFR 240.17Ad-22; see also 2012 Adopting Release, *supra* note 3, at 66225–26.

<sup>23</sup> See 2012 Adopting Release, *supra* note 3, at 66225–26.

<sup>24</sup> See Standards for Covered Clearing Agencies, Exchange Act Release No. 78961 (Sept. 28, 2016), 81 FR 70786 (Oct. 13, 2016) (“2016 Adopting Release”).

<sup>25</sup> See Definition of Covered Clearing Agency, Exchange Act Release No. 88616 (April 9, 2020), 85 FR 28853 (May 14, 2020) (“2020 Adopting Release”).

There are a number of collections of information contained in Rules 17Ad-22(b), (c), (d), and (e). The information collected in these provisions is necessary to carry out the mandates of the Exchange Act, as amended by the Dodd-Frank Act, as well as the Clearing Supervision Act.

### **2022 Proposed Amendments**

**This Proposed Partial Revision of OMB Control No. 3235-0695 proposes to add two new information collections arising out of the Commission’s May 2023 proposal to amend Rule 17Ad-22(e)(6).<sup>26</sup> The proposed new information collections are titled “IC 53 – 17Ad-22(e)(6).” The Proposed Partial Revision would not change any of the other information collections in this control number.**

First, the Commission proposes to amend 17 CFR 240.17Ad-22(e)(6)(ii) (“Rule 17Ad-22(e)(6)(ii)”). The proposal would build upon and strengthen the existing requirement that a covered clearing agency have policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that, among other things, includes the authority and operational capacity to make intraday margin calls in defined circumstances. Specifically, the proposed amendments to this rule would require that the covered clearing agency have policies and procedures to establish a risk-based margin system that includes the authority and operational capacity to monitor intraday exposure on an ongoing basis and to make intraday margin calls as frequently as circumstances warrant, including when risk thresholds specified by the covered clearing agency are breached or when the products cleared or markets served display elevated volatility.<sup>27</sup>

Second, the proposal would amend and expand the requirements of 17 CFR 240.17Ad-22(e)(6)(iv) (“Rule 17Ad-22(e)(6)(iv)”) to provide that a covered clearing agency have policies and procedures that would apply in the event that the covered clearing agency relies on substantive inputs from third parties to calculate margin using a risk-based margin system and, specifically, when such inputs are not readily available or reliable. This proposal would require that the procedures used in such circumstances must include substantive inputs from an alternate source or, if it does not use an alternate source, the use of an alternate risk-based margin system that does not similarly rely on the unavailable or unreliable substantive inputs.<sup>28</sup>

The proposed changes would amend the existing information collections under Rule 17Ad-22(e).

The statutory basis for Rule 17Ad-22 is as follows: Exchange Act Section 3C, 15 U.S.C. 78c-3; Exchange Act Section 17A; 15 U.S.C. 78q-1; and Section 805 of the Clearing Supervision Act, 12 U.S.C. 5464(a)(2).

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

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<sup>26</sup> See Covered Clearing Agency Resilience and Recovery and Wind-Down Plans, Exchange Act Release No. 97516 (May 17, 2023), 88 FR 34708 (May 30, 2023) (“2023 Proposing Release”).

<sup>27</sup> See *id.*, 88 FR at 34709.

<sup>28</sup> See *id.*

i. Measurement and Management of Credit Exposures

Rule 17Ad-22(b)(1) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to measure its credit exposures to its participants at least once each day and limit its exposures to potential losses from defaults by its participants in normal market conditions so that the operations of the clearing agency would not be disrupted and non-defaulting participants would not be exposed to losses that they cannot anticipate or control. The purpose of the collection of information is to enable the registered clearing agency to monitor and limit its exposures to its participants.

ii. Margin Requirements

Rule 17Ad-22(b)(2) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to: (i) use margin requirements to limit its credit exposures to participants in normal market conditions; (ii) use risk-based models and parameters to set margin requirements; and (iii) review the models and parameters at least monthly. The purpose of the collection of information is to enable the clearing agency to maintain sufficient collateral or margin.

iii. Financial Resources

Rule 17Ad-22(b)(3) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain sufficient financial resources to withstand, at a minimum, a default by the participant family to which it has the largest exposure in extreme but plausible market conditions, provided that a registered clearing agency acting as a central counterparty for security-based swaps shall maintain additional financial resources sufficient to withstand, at a minimum, a default by the two participant families to which it has the largest exposures in extreme but plausible market conditions, in its capacity as a central counterparty for security-based swaps. The purpose of the collection of information is to enable the clearing agency to satisfy all of its settlement obligations in the event of a participant default.

iv. Model Valuation

Rule 17Ad-22(b)(4) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for an annual model validation consisting of evaluating the performance of the clearing agency's margin models and the related parameters and assumptions associated with such models by a qualified person who is free from influence from the persons responsible for the development or operation of the models being validated. The purpose of the collection of information is to enable the clearing agency to obtain an assessment of its margin model by a qualified, independent person.

v. Non-Dealer Access

Rule 17Ad-22(b)(5) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide the opportunity for a person that does not perform any dealer or security-based swap dealer services to obtain membership at the clearing agency to clear securities for itself or on

behalf of other persons. The purpose of the collection of information is to enable more market participants to obtain indirect access to clearing agencies.

vi. Portfolio Size and Transaction Volume Restrictions

Rule 17Ad-22(b)(6) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to have membership standards that do not require that participants maintain a portfolio of any minimum size or that participants maintain a minimum transaction volume. The purpose of the collection of information is to remove unnecessary barriers to participation in clearing agencies that perform CCP services.

vii. Net Capital Restrictions

Rule 17Ad-22(b)(7) requires a registered clearing agency that performs CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide a person that maintains net capital equal to or greater than \$50 million with the ability to obtain membership at the clearing agency, provided that such persons are able to comply with other reasonable membership standards, with any net capital requirements being scalable so that they are proportional to the risks posed by the participant's activities to the clearing agency. The rule also permits a clearing agency to provide for a higher net capital requirement (i.e., higher than \$50 million) as a condition for membership at the clearing agency if the clearing agency demonstrates to the Commission that such a requirement is necessary to mitigate risks that could not otherwise be effectively managed by other measures, such as scalable limitations on the transactions that the participants may clear through the clearing agency, and the Commission approves the higher net capital requirement as part of a rule filing or clearing agency registration application. The purpose of the collection of information is to remove unnecessary barriers to clearing access by market participants with a net capital level above \$50 million, while at the same time facilitating sound risk management practices by clearing agencies by encouraging them to examine and articulate the benefits that higher net capital requirements would create through having clearing agencies develop scalable membership standards that links the activities any participants could potentially engage in with the potential risks posed by the participant.

viii. Record of Financial Resources

Rule 17Ad-22(c)(1) requires that each fiscal quarter (based on calculations made as of the last business day of the clearing agency's fiscal quarter), or at any time upon Commission request, a registered clearing agency that performs CCP services shall calculate and maintain a record of the financial and qualifying liquid resources necessary to meet the requirements, as applicable, in Rules 17Ad-22(b)(3), (e)(4), and (e)(7), and sufficient documentation to explain the methodology it uses to compute such financial resource requirement. The purpose of the collection of information is to enable the Commission to monitor the financial resources of clearing agencies that perform CCP services.

ix. Annual Audited Financial Statements

Rule 17Ad-22(c)(2) requires a registered clearing agency to post on its website an annual audited financial statement that must (i) be a complete set of financial statements of the clearing agency for the most recent two fiscal years of the clearing agency and be prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), except that for a clearing

agency that is a corporation or other organization incorporated or organized under the laws of any foreign country, the financial statements may be prepared according to U.S. GAAP or International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”); (ii) be audited in accordance with standards of the Public Company Accounting Oversight Board by a registered public accounting firm that is qualified and independent in accordance with Rule 2-01 of Regulation S-X (17 CFR 210.2-01); and (iii) include a report of the registered public accounting firm that complies with paragraphs (a)–(d) of Rule 2-02 of Regulation S-X (17 CFR 210.2-02). The purpose of the collection of information is to enable the Commission to monitor the financial resources of clearing agencies that perform CCP services.

x. Transparent and Enforceable Rules and Procedures

Rule 17Ad-22(d)(1) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for a well-founded, transparent, and enforceable legal framework for each aspect of its activities in all relevant jurisdictions. The purpose of the collection of information is to help ensure that a clearing agency’s policies and procedures do not cause confusion or legal uncertainty among their participants because they are unclear, incomplete, or conflict with other applicable laws or judicial precedent.

xi. Participation Requirements

Rule 17Ad-22(d)(2) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency. The purpose of the collection of information is to enable clearing agencies to ensure that only persons with sufficient financial and operational capacity are direct participants.

Rule 17Ad-22(d)(2) also requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to have procedures in place to monitor that participation requirements are met on an ongoing basis. The purpose of the collection of information is to help clearing agencies identify a participant experiencing financial difficulties before the participant fails to meet its settlement obligations.

Rule 17Ad-22(d)(2) also requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to have participation requirements that are objective, publicly disclosed, and permit fair and open access. The purpose of the collection of information is to ensure that all qualified persons can access a clearing agency’s services on an equivalent basis.

xii. Custody of Assets and Investment Risk

Rule 17Ad-22(d)(3) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to hold assets in a manner that minimizes risk of loss or delay in access to them, and to invest assets in instruments with minimal credit, market, and liquidity risks. The purpose of the collection of information is to enable clearing agencies to access their financial resources quickly so that they settle securities transactions on time and at the agreed upon terms.

xiii. Identification and Mitigation of Operational Risk

Rule 17Ad-22(d)(4) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify sources of operational risk and minimize them through the development of appropriate systems, controls, and procedures; implement systems that are reliable, resilient and secure, and have adequate, scalable capacity; and have business continuity plans that allow for timely recovery of operations and fulfillment of a clearing agency's obligations. The purpose of the collection of information is to ensure that clearing agencies can maintain operations in the event of an operational problem, natural disaster or other similar event.

xiv. Money Settlements Risks

Rule 17Ad-22(d)(5) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to employ money settlement arrangements that eliminate or strictly limit the clearing agency's settlement bank risks, that is, its credit and liquidity risks from the use of banks to effect money settlements with its participants, and require funds transfers to the clearing agency to be final when effected. The purpose of the collection of information is to promote reliability in a clearing agency's settlement operations.

xv. Cost-Effectiveness

Rule 17Ad-22(d)(6) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to be cost-effective in meeting the requirements of participants while maintaining safe and secure operations. The purpose of the collection of information is to help ensure that the services of clearing agencies do not become too expensive.

xvi. Links

Rule 17Ad-22(d)(7) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to evaluate the potential sources of risks that can arise when the clearing agency establishes links either cross-border or domestically to clear trades, and ensure that the risks are managed prudently on an ongoing basis. The purpose of the collection of information is to help ensure that clearing agencies adequately assess the risks associated with establishing a link with another clearing organization.

xvii. Governance

Rule 17Ad-22(d)(8) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to have governance arrangements that are clear and transparent to fulfill the public interest requirements in Section 17A of the Exchange Act applicable to clearing agencies; to support the objectives of owners and participants; and to promote the effectiveness of the clearing agency's risk management procedures. The purpose of the collection of information is to promote boards of directors that exercise sufficient oversight of the clearing agency's management and appropriately represent the interests of relevant stakeholders.

xviii. Information on Services

Rule 17Ad-22(d)(9) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide market participants with sufficient information for them to identify and evaluate the risks and costs associated with using their services. The purpose of the collection of information is to help market participants identify the risks and costs associated with using the clearing agency and would allow market participants to make informed decisions about the use of the clearing agency and take appropriate actions to mitigate their risks and costs associated with the use of the clearing agency.

xix. Immobilization and Dematerialization of Stock Certificates

Rule 17Ad-22(d)(10) requires a registered clearing agency that is not a covered clearing agency that perform central securities depository services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to immobilize or dematerialize securities certificates and transfer them by book entry to the greatest extent possible. The purpose of the collection of information is to enable clearing agencies to promote greater efficiency in the settlement of securities transactions and reduce risk by transferring securities by book entry movements.

xx. Default Procedures

Rule 17Ad-22(d)(11) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to make key aspects of its default procedures publicly available and to establish default procedures that ensure that the clearing agency can take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of a participant default. The purpose of the collection of information is to foster a greater understanding by market participants of possible steps a clearing agency may take when a participant defaults and possibly reduce the likelihood of market participants taking actions based on incorrect information.

xxi. Timing of Settlement Finality

Rule 17Ad-22(d)(12) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that final settlement occurs no later than the end of the settlement day and require that intraday or real-time finality be provided where necessary to reduce risks. The purpose of the collection of information is to promote consistent standards of timing and reliability in the settlement process.

xxii. Delivery Versus Payment

Rule 17Ad-22(d)(13) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to eliminate principal risk by linking securities transfers to funds transfers in a way that achieves delivery versus payment. The purpose of the collection of information is to eliminate principal risk in the transfer of securities and funds.

xxiii. Risk Controls to Address Participants' Failure to Settle

Rule 17Ad-22(d)(14) requires a registered clearing agency that is not a covered clearing agency that performs central securities depository services and extends intraday credit to

participants to establish, implement, maintain, and enforce written policies and procedures reasonably designed to institute risk controls, including collateral requirements and limits to cover the clearing agency's credit exposure to each participant fully, and ensure timely settlement in the event that the participant with the largest payment obligation is unable to settle. The purpose of the collection of information is to enable clearing agencies to satisfy their settlement obligations on time and for the agreed upon terms.

xxiv. Identification and Management of Physical Delivery Risks

Rule 17Ad-22(d)(15) requires a registered clearing agency that is not a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to state to their participants the clearing agency's obligations with respect to physical deliveries and to identify and manage the risks that arise in connection with these obligations. The purpose of the collection of information is to provide the clearing agency's participants with sufficient information to evaluate the risks and costs associated with participation in the clearing agency.

i. Legal Risk

Rule 17Ad-22(e)(1) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for a well-founded, clear, transparent, and enforceable legal basis for each aspect of its activities in all relevant jurisdictions. The purpose of the collection of information is to help ensure that covered clearing agencies' policies and procedures do not cause confusion or legal uncertainty among their participants because they are unclear, incomplete or conflict with other applicable laws or judicial precedent.

ii. Governance

Rule 17Ad-22(e)(2)(i)–(iii) require a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for governance arrangements that are clear and transparent, clearly prioritize the safety and efficiency of the covered clearing agency, and support the public interest requirements of Section 17A of the Exchange Act, and the objectives of owners and participants. Rules 17Ad-22(e)(2)(iv) and (v) require a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish that the board of directors and senior management have appropriate experience and skills to discharge their duties and responsibilities and to specify clear and direct lines of responsibility. Rule 17Ad-22(e)(2)(vi) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to consider the interests of participants' customers, securities issuers and holders, and other relevant stakeholders of the clearing agency.

The purpose of this collection of information is to prioritize the safety and efficiency of covered clearing agencies, to help ensure that each covered clearing agency's governance arrangements consider the interests of relevant stakeholders, to promote the establishment of boards of directors at covered clearing agencies that are composed of qualified members with clear and direct lines of responsibility, and to promote accountability of the board of directors and senior management.

iii. Comprehensive Risk Management Framework

Rule 17Ad-22(e)(3) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, general business, investment, custody, and other risks that arise in or are borne by the covered clearing agency. Rule 17Ad-22(e)(3)(i) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for risk management policies, procedures, and systems designed to identify, measure, monitor, and manage the range of risks that arise in or are borne by the covered clearing agency, and subject them to review on a specified periodic basis and approval by the board of directors annually. Rule 17Ad-22(e)(3)(ii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure it establishes plans for the recovery and orderly wind-down of the covered clearing agency necessitated by credit losses, liquidity shortfalls, losses from general business risk, or any other losses. Rule 17Ad-22(e)(3)(iii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide risk management and internal audit personnel with sufficient authority, resources, independence from management, and access to the board of directors. Rule 17Ad-22(e)(3)(iv) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide risk management and internal audit personnel with oversight by and a direct reporting line to a risk management committee and an independent audit committee of the board of directors, respectively. Rule 17A-22(e)(3)(v) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for an independent audit committee.

The purpose of this information collection is to enhance each covered clearing agency's ability to identify, monitor, and manage the risks that covered clearing agencies face, including by subjecting the relevant policies and procedures to regular review, and to facilitate an orderly recovery and wind-down process in the event that a covered clearing agency is unable to continue operating as a going concern.

iv. Credit Risk

Rule 17Ad-22(e)(4) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those exposures arising from its payment, clearing, and settlement processes.

Rule 17Ad-22(e)(4)(i) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. Rule 17Ad-22(e)(4)(ii) requires a covered clearing agency that provides CCP services, and that is "systemically important in multiple jurisdictions" or "a clearing agency involved in activities with a more complex risk profile," to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain additional financial resources, to the extent not already maintained pursuant to Rule 17Ad-22(e)(4)(i), at a minimum level necessary to enable it to cover a wide range of foreseeable stress scenarios, including but not limited to the default of the two participant families that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market

conditions. Meanwhile, Rule 17Ad-22(e)(4)(iii) requires a covered clearing agency that is not subject to Rule 17Ad-22(e)(4)(ii) to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain additional financial resources, to the extent not already maintained pursuant to Rule 17Ad-22(e)(4)(i), at the minimum to enable it to cover a wide range of foreseeable stress scenarios, including the default of the participant family that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions. Rule 17Ad-22(e)(4)(iv) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to include prefunded financial resources, exclusive of assessments for additional guaranty fund contributions or other resources that are not prefunded, when calculating the financial resources available to meet the standards under Rules 17Ad-22(e)(4)(i)–(iii), as applicable. Rule 17Ad-22(e)(4)(v) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain the financial resources required under Rules 17Ad-22(e)(4)(ii) and (iii), as applicable, in combined or separately maintained clearing or guaranty funds.

Rule 17Ad-22(e)(4)(vi) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to test the sufficiency of its total financial resources available to meet the minimum financial resource requirements under Rules 17Ad-22(e)(4)(i)–(iii), as applicable, by conducting stress testing of its total financial resources at least once each day using standard predetermined parameters and assumptions. Rule 17Ad-22(e)(4)(vi) also requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to conduct a comprehensive analysis on at least a monthly basis of the existing stress testing scenarios, models, and underlying parameters and assumptions, and consider modifications to ensure they are appropriate for determining the covered clearing agency’s required level of default protection in light of current market conditions. When the products cleared or markets served by a covered clearing agency display high volatility or become less liquid, or when the size or concentration of positions held by the entity’s participants increases significantly, the rule requires a covered clearing agency to have policies and procedures for conducting comprehensive analyses of stress testing scenarios, models, and underlying parameters and assumptions more frequently than monthly. Rule 17Ad-22(e)(4)(vi) also requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for the reporting of the results of this analysis to the appropriate decision makers at the covered clearing agency, including its risk management committee or board of directors, and to require the use of the results to evaluate the adequacy of and to adjust its margin methodology, model parameters, and any other relevant aspects of its credit risk management policies and procedures, in supporting compliance with the minimum financial resources requirements in Rules 17Ad-22(e)(4)(i)–(iii), as applicable.

Rule 17Ad-22(e)(4)(vii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to require a model validation for its credit risk models not less than annually or more frequently as may be contemplated by the covered clearing agency’s risk management policies and procedures.

Rule 17Ad-22(e)(4)(viii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to address allocation of credit losses the covered clearing agency may face if its collateral and other resources are

insufficient to fully cover its credit exposures, including the repayment of any funds the covered clearing agency may borrow from liquidity providers.

Rule 17Ad-22(e)(4)(ix) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to describe the covered clearing agency's process to replenish any financial resources it may use following a default or other event in which use of such resources is contemplated.

The purpose of this information collection is to identify and limit credit exposures to participants and to satisfy all of its settlement obligations in the event of a participant default, to address the allocation of credit losses if collateral and other resources are insufficient to fully cover its credit exposures following a participant default, and to describe the covered clearing agency's process to replenish financial resources following such a default

v. Collateral

Rule 17Ad-22(e)(5) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to limit the assets it accepts as collateral to those with low credit, liquidity, and market risks, and also require policies that set and enforce appropriately conservative haircuts and concentration limits if the covered clearing agency requires collateral to manage its own or its participants' credit exposures. In addition, Rule 17Ad-22(e)(5) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to include a not-less-than-annual review of the sufficiency of a covered clearing agency's collateral haircuts and concentration limits. The purpose of the information collection is to enable a covered clearing agency to be able to maintain sufficient collateral by using appropriately conservative haircuts and concentration limits.

vi. Margin

Rule 17Ad-22(e)(6) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to cover its credit exposures to its participants by establishing a risk-based margin system that is monitored by management on an ongoing basis and regularly reviewed, tested, and verified. Rule 17Ad-22(e)(6)(i) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to result in a margin system that, at a minimum, considers and produces margin levels commensurate with the risks and particular attributes of each relevant product, portfolio, and market. Rule 17Ad-22(e)(6)(ii) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that the margin system would mark participant positions to market and collect margin, including variation margin or equivalent charges if relevant, at least daily, and include the authority and operational capacity to make intraday margin calls in defined circumstances. Rule 17Ad-22(e)(6)(iii) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to calculate margin sufficient to cover its potential future exposure to participants in the interval between the last margin collection and the close out of positions following a participant default. Rule 17Ad-22(e)(6)(iv) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed

to ensure that it uses reliable sources of timely price data and uses procedures and sound valuation models for addressing circumstances in which pricing data are not readily available or reliable. Rule 17Ad-22(e)(6)(v) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure the use of an appropriate method for measuring credit exposure that accounts for relevant product risk factors and portfolio effects across products.

Rule 17Ad-22(e)(6)(vi) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish a risk-based margin system that is monitored by management on an ongoing basis. Rule 17Ad-22(e)(6)(vi) also requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to regularly review, test, and verify its risk-based margin system by conducting backtests of its margin model at least once each day using standard predetermined parameters and assumptions. Rule 17Ad-22(e)(6)(vi) also requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to regularly review, test, and verify its risk-based margin system by conducting a sensitivity analysis of its margin model and a review of its parameters and assumptions for backtesting on at least a monthly basis, and considering modifications to ensure the backtesting practices are appropriate for determining the adequacy of the covered clearing agency's margin resources. Rule 17Ad-22(e)(6)(vi) also requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to regularly review, test, and verify its risk-based margin system by conducting a sensitivity analysis of its margin model and a review of its parameters and assumptions for backtesting more frequently than monthly during periods of time when the products cleared or markets served display high volatility or become less liquid, and when the size or concentration of positions held by the covered clearing agency's participants increases or decreases significantly. Rule 17Ad-22(e)(6)(vi) also requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to regularly review, test, and verify its risk-based margin system by reporting the results of its analyses above to appropriate decision makers at the covered clearing agency, including but not limited to, its risk management committee or board of directors, and using these results to evaluate the adequacy of and adjust its margin methodology, model parameters, and any other relevant aspects of its credit risk management framework.

Finally, Rule 17Ad-22(e)(6)(vii) requires a covered clearing agency that provides CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to requires a model validation for the covered clearing agency's margin system and related models to be performed not less than annually, or more frequently as may be contemplated by the covered clearing agency's risk management framework established pursuant to Rule 17Ad-22(e)(3).

The purpose of the information collection is to enable a covered clearing agency to be able to collect sufficient margin subject to regular sensitivity analysis, monthly backtesting, and an annual model validation.

### **2022 Proposed Rulemaking**

As proposed to be amended, Rule 17Ad-22(e)(22)(6) would add additional requirements to covered clearing agencies that perform central counterparty (“CCP”) services.<sup>29</sup> First, the proposed amendment to Rule 17Ad-22(e)(6)(ii) would require that a covered clearing agency have policies and procedures to establish a risk-based margin system that includes the authority and operational capacity to monitor intraday exposure on an ongoing basis and to make intraday margin calls as frequently as circumstances warrant, including when risk thresholds specified by the covered clearing agency are breached or when the products cleared or markets served display elevated volatility. The purpose of this collection of information is to enable a covered clearing agency to have the authority and operational capacity to monitor intraday exposures on an ongoing basis and to collect intraday margin in certain specified circumstances.

Second, the proposed amendment to Rule 17Ad-22(e)(6)(iv) would amend and expand the requirement of a covered clearing agency to have policies and procedures that would apply in the event that the covered clearing agency relies on substantive inputs from third parties to calculate margin using a risk-based margin system and, specifically, when such inputs are not readily available or reliable. This proposal would require that the procedures used in such circumstances must include substantive inputs from an alternate source or, if it does not use an alternate source, the use of an alternate risk-based margin system that does not similarly rely on the unavailable or unreliable substantive inputs. The purpose of this collection of information is to ensure that a covered clearing agency can continue to meet its requirements under Rule 17Ad-22(e)(6)(iv) when specific substantive inputs to the margin system used by the covered clearing agency are not readily available or reliable.

vii. Liquidity Risk

Rule 17Ad-22(e)(7) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to effectively measure, monitor, and manage the liquidity risk that arises in or is borne by it, by meeting, at a minimum, the ten requirements specified in the rule.

Rule 17Ad-22(e)(7)(i) requires that a covered clearing agency’s policies and procedures be reasonably designed to ensure that it maintains sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that includes the default of the participant family that would generate the largest aggregate payment obligation for it in extreme but plausible market conditions.

Rule 17Ad-22(e)(7)(ii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that it holds qualifying liquid resources sufficient to meet the minimum liquidity resource requirement in each relevant currency for which the covered clearing agency has payment obligations owed to clearing members.

Rule 17Ad-22(e)(7)(iii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure it uses

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<sup>29</sup> See 2023 Proposing Release, supra note 26.

accounts and services at a Federal Reserve Bank, pursuant to Section 806(a) of the Clearing Supervision Act, or other relevant central bank, when available and where determined to be practical by the board of directors of the covered clearing agency, to enhance its management of liquidity risk.

Rule 17Ad-22(e)(7)(iv) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure it undertakes due diligence to confirm that it has a reasonable basis to believe each of its liquidity providers, whether or not such liquidity provider is a clearing member, has sufficient information to understand and manage the liquidity provider's liquidity risks, and the capacity to perform as required under its commitments to provide liquidity.

Rule 17Ad-22(e)(7)(v) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that the covered clearing agency maintains and, on at least an annual basis, tests with each liquidity provider, to the extent practicable, its procedures and operational capacity for accessing each type of relevant liquidity resource.

Rule 17Ad-22(e)(7)(vi)(A)–(C) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to determine the amount and regularly test the sufficiency of the liquid resources held for purposes of meeting the minimum liquid resource requirement of Rule 17Ad-22(e)(7)(i) by (A) conducting stress testing of its liquidity resources at least once each day using standard and predetermined parameters and assumptions; (B) conducting a comprehensive analysis of the existing stress testing scenarios, models, and underlying parameters and assumptions used in evaluating liquidity needs and resources, and considering modifications to ensure they are appropriate for determining the covered clearing agency's identified liquidity needs and resources in light of current and evolving market conditions at least once each month; and (C) conducting a comprehensive analysis of the existing stress testing scenarios, models, and underlying parameters and assumptions used in evaluating liquidity needs and resources more frequently when products cleared or markets served display high volatility or become less liquid, when the size or concentration of positions held by participants increases significantly, or in other circumstances described in the covered clearing agency's policies and procedures. Rule 17Ad-22(e)(7)(vi)(D) also requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to result in reporting the results of the analyses performed under Rules 17Ad-22(e)(7)(vi)(B) and (C) to appropriate decision makers, including the risk management committee or board of directors, at the covered clearing agency for use in evaluating the adequacy of and adjusting its liquidity risk management framework.

Rule 17Ad-22(e)(7)(vii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to result in performing an annual or more frequent model validation of its liquidity risk models.

Rule 17Ad-22(e)(7)(viii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to address foreseeable liquidity shortfalls that would not be covered by its liquid resources and seek to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations.

Rule 17Ad-22(e)(7)(ix) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to describe its process for replenishing any liquid resources that it may employ during a stress event.

Rule 17Ad-22(e)(7)(x) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that it, at least once a year, evaluates the feasibility of maintaining sufficient liquid resources at a minimum in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the two participant families that would potentially cause the largest aggregate credit exposure for the covered clearing agency in extreme but plausible market conditions if the covered clearing agency provides CCP services and is either systemically important in multiple jurisdictions or a clearing agency involved in activities with a more complex risk profile.

The purpose of this information collection is to identify and limit liquidity risk so that a covered clearing agency can satisfy its settlement obligations on an ongoing and timely basis by holding a sufficient amount of qualifying liquid resources and performing regular stress testing of its liquid resources. It is also to help ensure that a covered clearing agency addresses foreseeable liquidity shortfalls and can replenish any liquid resources that it may employ in a stress event. It is also to help ensure that a covered clearing agency manages the risks posed by its liquidity providers.

viii. Settlement Finality

Rule 17Ad-22(e)(8) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to define the point at which settlement is final to be no later than the end of the day on which the payment or obligation is due and, where necessary or appropriate, either intraday or in real time. The purpose of this information collection is to promote consistent standards of timing and reliability in the settlement process.

ix. Money Settlements

Rule 17Ad-22(e)(9) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to conduct its money settlements in central bank money, where available and determined to be practical by the board of directors of the covered clearing agency, and minimizes and manages credit and liquidity risk arising from conducting its money settlements in commercial bank money if central bank money is not used by the covered clearing agency. The purpose of this information collection is to promote reliability in a covered clearing agency's settlement operations.

x. Physical Delivery Risks

Rule 17Ad-22(e)(10) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish and maintain transparent written standards that state its obligations with respect to the delivery of physical instruments and operational practices that identify, monitor, and manage the risk associated with such physical deliveries. The purpose of this information collection is to provide

a covered clearing agency's participants with the information necessary to evaluate the risks and costs associated with participation in the covered clearing agency.

xii. Central Securities Depositories

Rule 17Ad-22(e)(11)(i) requires a covered clearing agency that provides CSD services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain securities in an immobilized or dematerialized form for their transfer by book entry, ensure the integrity of securities issues, and minimize and manage the risks associated with the safekeeping and transfer of securities. Rule 17Ad-22(e)(11)(ii) requires a covered clearing agency that provides CSD services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to implement internal auditing and other controls to safeguard the rights of securities issuers and holders and prevent the unauthorized creation or deletion of securities, and conduct periodic and at least daily reconciliation of securities issues it maintains. Rule 17Ad-22(e)(11)(iii) requires a covered clearing agency that provides CSD services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to protect assets against custody risk through appropriate rules and procedures consistent with relevant laws, rules, and regulations in jurisdictions where it operates.

The purpose of this information collection is to reduce securities transfer processing costs and the risks associated with securities settlement and custody, as well as increase the speed and efficiency of the settlement process.

xiii. Exchange-of-Value Settlement Systems

Rule 17Ad-22(e)(12) requires a covered clearing agency, for transactions that involve the settlement of two linked obligations, to establish, implement, maintain, and enforce written policies and procedures reasonably designed to eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other, regardless of whether the covered clearing agency settles on a gross or net basis and when finality occurs. The purpose of this information collection is to promote the elimination of principal risk in transactions with linked obligations.

xiv. Participant Default

Rule 17Ad-22(e)(13) requires a covered clearing agencies providing CCP services to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that the covered clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations by, at a minimum, requiring the covered clearing agency's participants and, when practicable, other stakeholders to participate in the testing and review of its default procedures, including any close-out procedures, at least annually and following material changes thereto. The purpose of this information collection is to facilitate the functioning of a covered clearing agency in the event that a participant fails to meet its obligations, as well as limit the extent to which a participant's failure can spread to other participants or the covered clearing agency itself.

xv. Segregation and Portability

Rule 17Ad-22(e)(14) requires a covered clearing agency that is a security-based swap clearing agency or a complex risk profile clearing agency to establish, implement, maintain, and

enforce written policies and procedures reasonably designed to enable the segregation and portability of positions of a member's customers and the collateral provided to the covered clearing agency with respect to those positions, and effectively protect such positions and related collateral from the default or insolvency of that member. The purpose of this information collection is to facilitate the safe and effective holding and transfer of customers' positions and collateral in the event of a participant's default or insolvency.

xv. General Business Risk

Rule 17Ad-22(e)(15) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that the covered clearing agency can continue operations and services as a going concern if those losses materialize. Rule 17Ad-22(e)(15)(i) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to determine the amount of liquid net assets funded by equity based upon its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken. Rule 17Ad-22(e)(15)(ii) requires a clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for holding liquid net assets funded by equity equal to the greater of either six months of its current operating expenses or the amount determined by the board of directors to be sufficient to ensure a recovery or orderly wind-down of critical operations and services of the covered clearing agency, as contemplated by the plans established under Rule 17Ad-22(e)(3)(ii). Rule 17Ad-22(e)(15)(ii) also requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for monitoring its business operations and reducing the likelihood of losses. Rule 17Ad-22(e)(15)(iii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for maintaining a viable plan, approved by the board of directors and updated at least annually, for raising additional equity should its equity fall close to or below the amount required by the rule, as discussed above. The purpose of this information collection is to mitigate the potential impairment of a covered clearing agency as a result of a decline in revenues or increase in expenses.

xvi. Custody and Investment Risks

Rule 17Ad-22(e)(16) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to safeguard its own and its participants' assets and minimize the risk of loss and delay in access to these assets. Rule 17Ad-22(e)(16) also requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to invest such assets in instruments with minimal credit, market, and liquidity risks. The purpose of this information collection is to improve the ability of a covered clearing agency to meet its settlement obligations.

xvii. Operational Risk Management

Rule 17Ad-22(e)(17) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to manage the covered clearing agency's operational risk. Rule 17Ad-22(e)(17)(i) requires a covered clearing

agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Rule 17Ad-22(e)(17)(ii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure that systems have a high degree of security, resiliency, operational reliability, and adequate, scalable capacity. Finally, Rule 17Ad-22(e)(17)(iii) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to provide for a business continuity plan that addresses events posing a significant risk of disrupting operations. The purpose of this information collection is to limit operational disruptions that may impede the proper functioning of a covered clearing agency.

xviii. Access and Participation Requirements

Rule 17Ad-22(e)(18) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to establish objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access by direct and, where relevant, indirect participants and other FMUs. Rule 17Ad-22(e)(18) also requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the clearing agency and to monitor compliance with participation requirements on an ongoing basis.

The purpose of this information collection is to enable a covered clearing agency to ensure that only entities with sufficient financial and operational capacity are direct participants in the covered clearing agency, while still ensuring that all qualified persons can access a covered clearing agency's services. The purpose of this information collection is also to enable a covered clearing agency to monitor that participation requirements are met on an ongoing basis and to identify a participant experiencing financial difficulties before the participant fails to meet its settlement obligations.

xix. Tiered Participation Agreements

Rule 17Ad-22(e)(19) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor, and manage the material risks to the covered clearing agency arising from arrangements in which firms that are indirect participants in the covered clearing agency rely on the services provided by direct participants in the covered clearing agency to access the covered clearing agency's payment, clearing, or settlement facilities. In addition, Rule 17Ad-22(e)(19) also requires that a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to regularly review the material risks to the covered clearing agency arising from such tiered participation arrangements. The purpose of this information collection is to enable a covered clearing agency to identify and manage risks posed by non-member entities, such as the customers of clearing members.

xx. Links

Rule 17Ad-22(e)(20) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to identify, monitor,

and manage risks related to any link with one or more other clearing agencies, FMUs, or trading markets. The purpose of this information collection is to enable a covered clearing agency to identify and manage risks posed by linkages to other entities, such as other clearing agencies, FMUs, or trading markets.

xxi. Efficiency and Effectiveness

Rule 17Ad-22(e)(21) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to require the covered clearing agency to be efficient and effective in meeting the requirements of its participants and the markets it serves. Additionally, the rule requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to have the management of a covered clearing agency regularly review the efficiency and effectiveness of the covered clearing agency's (i) clearing and settlement arrangement; (ii) operating structure, including risk management policies, procedures, and systems; (iii) scope of products cleared or settled; and (iv) use of technology and communications procedures. The purpose of this information collection is to ensure that the services provided by a covered clearing agency do not become inefficient and to promote the sound operation of a covered clearing agency.

xxii. Communication Procedures and Standards

Rule 17Ad-22(e)(22) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to use, or at a minimum, accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, and settlement. The purpose of this information collection is to ensure the prompt and accurate clearance and settlement of securities transactions by enabling participants to communicate with a clearing agency in a timely, reliable, and accurate manner.

xxiii. Disclosure of Rules, Key Procedures, and Market Data

Rule 17Ad-22(e)(23) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to (i) publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures; (ii) provide sufficient information to enable participants to identify and evaluate the risks, fees, and other material costs they incur by participating in the covered clearing agency; and (iii) publicly disclose relevant basic data on transaction volume and values.

Rule 17Ad-22(e)(23)(iv) requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to maintain clear and comprehensive rules and procedures that provide for a comprehensive public disclosure that describes the covered clearing agency's material rules, policies, and procedures regarding its legal, governance, risk management, and operating framework, accurate in all material respects at the time of publication, including (i) a general background of the covered clearing agency, including its function and the market it serves, basic data and performance statistics on its services and operations, such as basic volume and value statistics by product type, average aggregate intraday exposures to its participants, and statistics on the covered clearing agency's operational reliability, and a description of its general organization, legal and regulatory framework, and system design and operations; (ii) a standard-by-standard summary narrative for

each applicable standard set forth in Rules 17Ad-22(e)(1)–(23) with sufficient detail and context to enable the reader to understand its approach to controlling the risks and addressing the requirements in each standard; (iii) a summary of material changes since the last update of the disclosure; and (iv) an executive summary of the key points regarding each. Rule 17Ad-22(e)(23)(v) also requires a covered clearing agency to establish, implement, maintain, and enforce written policies and procedures reasonably designed to ensure the comprehensive public disclosure required under Rule 17Ad-22(e)(23)(iv) is updated not less than every two years, or more frequently following changes to its system or the environment in which it operates to the extent necessary, to ensure statements previously provided remain accurate in all material respects.

The purpose of this information collection is to ensure that participants and prospective participants in a covered clearing agency are provided with a complete picture of the covered clearing agency’s operations and risk management so that they can understand the risks and responsibilities of participation in the covered clearing agency.

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

As a general matter, the collections of information contemplated by Rule 17Ad-22 depend on the use of technologies and systems that a clearing agency already maintains to conduct its business, including its risk management and recordkeeping functions. Improvements to these technologies and systems may, over time, reduce the burdens contemplated under Rule 17Ad-22. The Commission is not aware of any technical or legal obstacles to reducing the burdens through the use of improved information technology.

### **4. Duplication**

The collections of information contained in Rule 17Ad-22 do not duplicate information required to be collected by other Commission rules or regulations.

### **5. Effect on Small Entities**

For the purposes of Commission rulemaking and as applicable to proposed Rule 17Ad-25, a small entity includes, when used with reference to a clearing agency, a clearing agency that (i) compared, cleared, and settled less than \$500 million in securities transactions during the preceding fiscal year, (ii) had less than \$200 million of funds and securities in its custody or control at all times during the preceding fiscal year (or at any time that it has been in business, if shorter), and (iii) is not affiliated with any person (other than a natural person) that is not a small business or small organization.<sup>30</sup>

Based on the Commission’s existing information about the clearing agencies currently registered with the Commission, the Commission believes that all such registered clearing agencies exceed the thresholds defining “small entities” set out above. While other clearing agencies may emerge and seek to register as clearing agencies with the Commission, the Commission does not believe that any such entities would be “small entities” as defined in Exchange Act Rule 0-10. Accordingly, Rule 17Ad-22 does not affect any small entities.

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<sup>30</sup> See 17 CFR 240.0-10(d).

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

The Dodd-Frank Act enacted sweeping reforms in the financial system, including with respect to FMUs such as clearing agencies. It also charged the Commission with significant duties to carry out these reforms. The consequences of not conducting collections of information or any less frequent collections of information pursuant to Rule 17Ad-22 would significantly impair the Commission's ability to carry out its statutory obligations under the Exchange Act, as amended by the Dodd-Frank Act.

### **2022 Proposed Rulemaking**

With respect to the proposed amendments, the Commission believes that the changes proposed to Rule 17Ad-22(e)(6)(ii) should ensure that the covered clearing agency develops policies and procedures to determine when it considers volatility to be elevated above typical levels, and potentially necessitating the collection of additional margin, in a manner specific to the products cleared and markets served; should ensure that the covered clearing agency considers ex ante the degree of exposure that necessitates additional margin to take into account new cleared positions and current market prices, in a manner specific to the products cleared and market served; could improve participants' ability to understand when they may be subject to additional margin calls and, therefore, to be able to prepare accordingly to provide additional financial resources in anticipation of additional margin calls; and would make clear to participants when they may be subject to additional margin calls and recognizes that intraday exposures may occur more frequently in volatile markets.

The Commission believes that the changes proposed to Rule 17Ad-22(e)(6)(iv) should help ensure that the covered clearing agency can continue to calculate and collect margin commensurate with, the risks and particular attributes of each relevant product, portfolio, and market, as required under Rule 17Ad22(e)(6)(i), in such circumstances where substantive inputs from third parties are not available or reliable.

If these changes were not made, then these identified benefits likely would not accrue.

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

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

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

The Commission has issued a proposing release soliciting comments on the proposed amendment's requirements and associated paperwork burdens.<sup>31</sup> Comments on Commission releases are generally received from industry groups, investors, and other market participants. In addition, the Commission and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings, and informal exchanges. Any comments received on this proposed rulemaking will be posted on the Commission's public website and made available through [www.sec.gov/rules/proposed.shtml](http://www.sec.gov/rules/proposed.shtml). The Commission will

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<sup>31</sup> See 2023 Proposing Release, *supra* note 26.

consider all comments received prior to publishing the final rule and explain in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

## **9. Payment or Gift**

No payment or gift will be provided to any respondents.

## **10. Confidentiality**

Although none of the information collections in Rule 17Ad-22 require disclosure of information to the Commission, the Commission may request that certain records be provided, such as during the investigation or examination of a respondent. When the Commission requests that records be provided, a respondent can request confidential treatment for the records pursuant to Section 24(b) of the Exchange Act and Rule 24b-2 thereunder.<sup>32</sup>

The following information collections in Rule 17Ad-22 are subject to public availability:

- i. The collection of information relating to the requirement under Rule 17Ad-22(c)(2) that, within 60 days after the end of its fiscal year, each clearing agency must post on its website its annual audited financial statement;
- ii. The collection of information relating to the requirement under Rule 17Ad-22(d)(2) that a clearing agency that is not a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to have participation requirements that are objective and publicly disclosed;
- iii. The collection of information relating to the requirement under Rule 17Ad-22(d)(11) that a clearing agency that is not a covered clearing agency establish, implement, maintain, and enforce written policies and procedures reasonably designed to make key aspects of its default procedures publicly available; and
- iv. The collection of information relating to the public disclosure by a covered clearing agency of all relevant rules and material procedures, basic data on transaction volumes and values, and providing comprehensive public disclosure of information related to governance arrangements, and legal, financial, and operational risk management under Rule 17Ad-22(e)(23).

## **11. Sensitive Questions**

The information collection does not collect information about individuals. The agency has determined that the information collection does not require a PIA, SORN, or PAS.

## **12. Information Collection Burden**

- i. Number of Respondents

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<sup>32</sup> See 17 CFR 240.24b-2.

The Commission staff estimates that Rules 17Ad-22(b) and (c)(1) have nine respondents because these rules apply only to registered clearing agencies that perform CCP services.<sup>33</sup> The Commission staff also estimates that Rule 17Ad-22(c)(2) has ten respondents because it applies to all registered clearing agencies. These estimates appear in the PRA analysis that was submitted in connection with the 2020 Adopting Release and remain unchanged. Since the submission of the PRA analysis in the 2020 Adopting Release, one respondent clearing agency that was subject to Rule 17Ad-22(d) became subject to Rule 17Ad-22(e) under the amended definition of “covered clearing agency.”<sup>34</sup> As such, the Commission staff estimates that Rule 17Ad-22(d) now has two (rather than three) respondents because while the rule applies to all types of registered clearing agencies, it does not apply to covered clearing agencies.

Consistent with the PRA analysis submitted in connection with the 2020 Adopting Release, the Commission staff continues to estimate that the majority of the requirements under Rule 17Ad-22(e) would have eight respondents, of which (i) seven would be CCPs and one would be a CSD, and (ii) three would be security-based swap clearing agencies. The Commission staff also continues to estimate that Rule 17Ad-22(e)(6) would have seven respondents because it applies to CCPs, Rule 17Ad-22(e)(11) would have only one respondent because it applies to CSDs, and Rule 17Ad-22(e)(14) would have three respondents because it applies to security-based swap clearing agencies.

While the Commission staff’s estimates regarding the number of respondents subject to the provisions of Rule 17Ad-22(e) remain unchanged from the Commission’s estimates in the 2020 Adopting Release, the Commission staff’s estimates for Rules 17Ad-22(e)(1)–(5), (e)(7)–(10), (e)(12)–(13), and (e)(15)–(23) now includes seven (rather than six) respondents that are already registered with the Commission and are covered clearing agencies. Similarly, the Commission staff’s estimate for Rule 17Ad-22(e)(6) now includes six (rather than five) respondents that are already registered with the Commission and are covered clearing agencies that provide CCP services. Lastly, the Commission staff’s estimate for Rule 17Ad-22(e)(14) now includes three (rather than two) respondents that are already registered with the Commission and are covered clearing agencies that provide CCP services for security-based swaps.

### **2022 Proposed Rulemaking**

The proposed amendments to Rule 17Ad-22(e)(6) apply to covered clearing agencies that provide CCP services. Currently, there are six such covered clearing agencies. The Commission anticipates that one additional entity may seek to register as a clearing agency to provide CCP

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<sup>33</sup> This estimate includes the possibility that two dormant registered clearing agencies—the Stock Clearing Corporation of Philadelphia (“SCCP”) and the Boston Stock Exchange Clearing Corporation (“BSECC”)—would resume operations in the future and would remain subject to the requirements in Rules 17Ad-22(b)–(d). The Commission staff also estimates that one additional entity may register as a clearing agency to perform CCP services.

<sup>34</sup> The PRA analysis submitted in connection with the 2020 Adopting Release estimated that three respondent clearing agencies would be subject to the PRA burdens associated with Rule 17Ad-22(d). In the 2020 Adopting Release, the Commission noted that the one additional respondent clearing agency subject to Rule 17Ad-22(e) under the amended definition of “covered clearing agency” was a registered clearing agency subject to Rule 17Ad-22(d). Accordingly, with the adoption of the amendments to Rule 17Ad-22(e), the Commission staff believes that only two respondent clearing agencies will remain subject to the PRA burdens associated with Rule 17Ad-22(d).

services in the next three years, and so for purposes of this proposal the Commission has assumed seven respondents.

ii. Source of Estimates, Annual Hour Burden, and Explanation of Estimates

The total estimated annual hour burden associated with Rule 17Ad-22 is 9,428 hours calculated as described below:

Requirements in Rules 17Ad-22(b)(1)–(3) that Impose a PRA Burden

Rules 17Ad-22(b)(1)–(3) impose a recordkeeping PRA burden and apply to nine respondent clearing agencies that perform CCP services. The Commission staff estimates that the rules require one response per entity annually. The estimate of nine respondents includes eight clearing agencies that are already registered to provide CCP services and are subject to Rules 17Ad-22(b)(1)–(3), and the Commission staff estimates that one additional entity could register as a clearing agency that provides CCP services and become subject to these rules during the three-year period covered by the prospective PRA extension.

At the time Rules 17Ad-22(b)(1)–(3) were adopted, respondent clearing agencies already had written policies and procedures meeting the standards set forth in those rules as part of their usual and customary business practice. However, the Commission estimated that these registered clearing agencies would incur a one-time incremental burden associated with reviewing existing policies and procedures for compliance and updating existing policies and procedures. Based on the Commission staff’s experience reviewing the policies and procedures of the currently registered CCPs, the staff believes that each respondent that is currently registered as a clearing agency has already incurred such a burden, and therefore will not incur an initial burden during the period covered by the prospective PRA extension. The Commission staff estimates that one additional entity may seek to register as a clearing agency that provides CCP services during the period covered by the prospective PRA extension. If such an entity does in fact register, the Commission staff believes that such entity would also already have established policies and procedures that comply with these rules before becoming registered and subject to the rule requirements. Accordingly, the Commission staff estimates that Rules 17Ad-22(b)(1)–(3) would not impose an initial burden on such respondent. However, all nine of the respondent clearing agencies will incur ongoing burdens associated with reviewing existing policies and procedures for compliance and updating existing policies and procedures where appropriate.

Based on the Commission staff’s experience reviewing changes to policies and procedures submitted to the Commission by respondent clearing agencies, the Commission staff estimates that Rules 17Ad-22(b)(1)–(3) impose on each respondent an ongoing burden of 10 hours per year.<sup>35</sup> **Therefore, the total estimated industry burden associated with Rules 17Ad-22(b)(1)–(3) is 90 hours per year.**<sup>36</sup>

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<sup>35</sup> This figure was calculated as follows: Compliance Attorney for 10 hours x 1 annual response per respondent = 10 annual ongoing burden hours per respondent.

<sup>36</sup> This figure was calculated as follows: 10 hours per year x 9 respondent clearing agencies = 90 hours per year.

Assuming an average hourly rate of \$424 for a Compliance Attorney,<sup>37</sup> the Commission staff estimates that each respondent clearing agency would incur an annual internal compliance cost of

approximately \$4,240 for the ongoing hourly burden imposed by Rules 17Ad-22(b)(1)–(3).<sup>38</sup>

#### Requirements in Rule 17Ad-22(b)(4) that Impose a PRA Burden

Rule 17Ad-22(b)(4) imposes a recordkeeping PRA burden and applies to nine respondent clearing agencies that perform CCP services. The Commission staff estimates that the rule requires one response per respondent annually. The estimate of nine respondents includes eight clearing agencies that are already registered to provide CCP services and are subject to Rule 17Ad-22(b)(4). The Commission staff believes that these eight respondents have already established and implemented policies and procedures in order to comply with the rule. As such, the Commission staff believes that the rule will not impose any initial PRA burdens on these respondents. The Commission staff estimates that one additional entity could register with the Commission as a clearing agency that provides CCP services and, as such, become subject to the requirements under Rule 17Ad-22(b)(4). If such an entity does in fact register, the Commission staff believes that such entity would also already have established policies and procedures that comply with the requirements under Rule 17Ad-22(b)(4) before becoming registered and subject to the rule requirements. Accordingly, the Commission staff estimates that Rule 17Ad-22(b)(4) would not impose an initial burden on such respondent.

Based on the Commission staff's experience reviewing changes to policies and procedures submitted to the Commission by respondent clearing agencies, the Commission staff estimates that Rule 17Ad-22(b)(4) imposes on each respondent an ongoing burden of 60 hours per year.<sup>39</sup> **Therefore, the total estimated industry burden associated with Rule 17Ad-22(b)(4) is 540 hours per year.**<sup>40</sup>

Assuming an average hourly rate of \$424 for a Compliance Attorney,<sup>41</sup> the Commission staff estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$25,440 for the ongoing hourly burden imposed by Rule 17Ad-22(b)(4).<sup>42</sup>

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<sup>37</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>38</sup> This figure was calculated as follows: \$424 per hour x 10 hours = \$4,240.

<sup>39</sup> This figure was calculated as follows: Compliance Attorney for 60 hours x 1 annual response per respondent = 60 annual ongoing burden hours per respondent.

<sup>40</sup> This figure was calculated as follows: 60 hours per year x 9 respondent clearing agencies = 540 hours per year.

<sup>41</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>42</sup> This figure was calculated as follows: \$424 per hour x 60 hours = \$25,440.

### Requirements in Rule 17Ad-22(b)(5)–(7) that Impose a PRA Burden

Rules 17Ad-22(b)(5)–(7) impose a recordkeeping PRA burden and apply to nine respondent clearing agencies that perform CCP services. The Commission staff estimates that the rules require one response per respondent annually. The Commission staff believes that CCPs are more likely to implement the changes to policies and procedures required by Rules 17Ad-22(b)(5)–(7) in an integrated, not piecemeal, review and drafting process. Therefore, the PRA burden estimates do not account for each rule as a separate burden. The estimate of nine respondents includes eight clearing agencies that are already registered to provide CCP services and are subject to Rules 17Ad-22(b)(5)–(7), and the Commission staff estimates that one additional entity could register as a clearing agency that provides CCP services and become subject to these rules during the three-year period covered by the prospective PRA extension. The Commission staff believes that the respondent clearing agencies that are subject to Rules 17Ad-22(b)(5)–(7) have already adopted policies and procedures in order to comply with the rules. As such, the Commission staff believes that the rules will not impose any initial PRA burdens on the respondent clearing agencies. These respondent clearing agencies will, however, incur incremental burdens associated with reviewing existing policies and procedures for compliance and updating existing policies and procedures where appropriate.

Based on the Commission staff's experience reviewing changes to relevant policies and procedures submitted to the Commission by respondent clearing agencies, the Commission staff estimates that Rules 17Ad-22(b)(5)–(7) impose on each respondent an ongoing burden of 60 hours per year.<sup>43</sup> **Therefore, the total estimated industry burden associated with Rules 17Ad-22(b)(5)–(7) is 540 hours per year.**<sup>44</sup>

Assuming an average hourly rate of \$424 for a Compliance Attorney,<sup>45</sup> the Commission staff estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$25,440 for the ongoing hourly burden imposed by Rules 17Ad-22(b)(5)–(7).<sup>46</sup>

### Requirements in Rule 17Ad-22(c)(1) that Impose a PRA Burden

Rule 17Ad-22(c)(1) imposes a recordkeeping PRA burden and applies to nine respondent clearing agencies that perform CCP services. The Commission staff estimates that the rule requires four responses per respondent annually. The estimate of nine respondents includes eight clearing agencies that are already registered to provide CCP services and are subject to Rules 17Ad-22(b)(5)–(7), and the Commission staff estimates that one additional entity could register as a clearing agency that provides CCP services and become subject to these rules during the

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<sup>43</sup> This figure was calculated as follows: Compliance Attorney for 60 hours x 1 annual response per respondent = 60 annual ongoing burden hours per respondent.

<sup>44</sup> This figure was calculated as follows: 60 hours per year x 9 respondent clearing agencies = 540 hours per year.

<sup>45</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>46</sup> This figure was calculated as follows: \$424 per hour x 60 hours = \$25,440.

three-year period covered by the prospective PRA extension. The Commission staff estimates that the rule will not impose any initial PRA burdens on the respondent clearing agencies.

Accordingly, the Commission staff estimates that Rule 17Ad-22(c)(1) imposes on each respondent an ongoing burden of 12 hours per year (including the first year), or 3 hours per response.<sup>47</sup> **Therefore, the total estimated industry burden associated with Rule 17Ad-22(c)(1) is 108 hours per year.**<sup>48</sup>

Assuming an average hourly rate of \$424 for a Compliance Attorney and \$511 for a Computer Operations Department Manager,<sup>49</sup> the Commission staff estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$5,784 for the ongoing hourly burden imposed by Rule 17Ad-22(c)(1).<sup>50</sup>

#### Requirements in Rule 17Ad-22(c)(2) that Impose a PRA Burden

Rule 17Ad-22(c)(2) imposes a third-party reporting PRA burden and applies to all registered clearing agencies, a total of ten respondents. The Commission staff estimates that the rule requires one response per respondent annually.

The 2012 Adopting Release stated that the Commission expected that the exact burden of collecting information relating to administering policies and procedures for facilitating an annual audited financial statement of the respondent clearing agency and posting that annual audited financial statement to the clearing agency's website would vary depending on how frequently each respondent clearing agency may need to update its financial statements. The Commission also estimated that, based on its experience with entities of similar size to the respondents, the initial burden of generating annual audited financial statements would generally require on average 500 hours per respondent clearing agency.<sup>51</sup> However, as most registered clearing agencies were already implementing this requirement as part of their usual and customary practices, the Commission estimated that the rule, as an initial burden, would only affect a total of four entities—three potential new entrants and one clearing agency that currently does not have two years of annual audited financial statements prepared in accordance with U.S. GAAP or IFRS posted on its website and, therefore, would be required to incur the costs of paying for an independent audit for two years of financial statements. In addition, based on analogous

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<sup>47</sup> These figures were calculated as follows: Compliance Attorney for 1 hour + Computer Operations Department Manager for 2 hours = 3 hours per response x 4 annual responses per respondent = 12 annual ongoing burden hours per respondent.

<sup>48</sup> This figure was calculated as follows: 12 hours per year x 9 respondent clearing agencies = 108 hours per year.

<sup>49</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>50</sup> This figure was calculated as follows: (\$424 per hour x 4 hours) = \$1,696 + (\$511 per hour x 8 hours) = \$4,088 = \$5,784.

<sup>51</sup> This figure was calculated as follows: Senior Accountant for 500 hours = 500 initial burden hours per respondent.

policies and procedures requirements and the corresponding burden estimates in Regulation NMS, the Commission estimated that Rule 17Ad-22(c)(2) would impose on each respondent clearing agency an ongoing burden of 250 hours per year (including the first year).<sup>52</sup>

With respect to the nine respondents that are currently registered as clearing agencies, the Commission staff believes that these respondents have already incurred the one-time initial burden associated with the requirements in Rule 17Ad-22(c)(2). As such, the Commission staff believes that the rule will not impose any initial PRA burdens on these respondent clearing agencies. However, the Commission staff estimates that Rule 17Ad-22(c)(2) will continue to impose ongoing burdens on these nine respondents that are identical to the ongoing burden estimates provided in the 2012 Adopting Release (250 hours per respondent per year).

As noted above, the Commission staff believes that only one new respondent may become registered with the Commission as a clearing agency during the three-year period covered by the prospective PRA extension. Based on the Commission staff's experience with entities of similar size to the respondents, the Commission staff estimates that Rule 17Ad-22(c)(2) will impose on the one respondent that is not currently registered with the Commission as a clearing agency initial and ongoing burdens that are identical to the initial and ongoing burden estimates provided in the 2012 Adopting Release (500 hours per respondent and 250 hours per respondent, respectively).

Accordingly, for the one respondent that is not currently registered with the Commission as a clearing agency, this results in an estimated initial burden of 500 hours per year, or 166.67 hours per year when annualized over three years,<sup>53</sup> and an estimated total annual burden of 417 hours.<sup>54</sup> For the nine respondents that are currently registered with the Commission as clearing agencies, the estimated total annual burden is 2,250 hours.<sup>55</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(c)(2) is approximately 2,667 hours per year.**<sup>56</sup>

Assuming an average hourly rate of \$251 for a Senior Accountant,<sup>57</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$125,500 for the initial hourly

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<sup>52</sup> This figure was calculated as follows: Senior Accountant for 250 hours x 1 annual response per respondent = 250 ongoing burden hours per year per respondent.

<sup>53</sup> This figure was calculated as follows: 500 initial burden hours ÷ 3 years = 166.67 annualized initial burden hours per respondent.

<sup>54</sup> This figure was calculated as follows: 166.67 hours per year + 250 ongoing burden hours per year = 416.67 total annual burden hours per respondent rounded up to 417.

<sup>55</sup> This figure was calculated as follows: 250 hours per year x 9 respondent clearing agencies = 2,250 hours per year.

<sup>56</sup> This figure was calculated as follows: 2,250 hours + 416.67 hours = 2,666.67 hours rounded up to 2,667.

<sup>57</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

burden imposed by Rule 17Ad-22(c)(2).<sup>58</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$62,750 for the ongoing hourly burden imposed by Rule 17Ad-22(c)(2).<sup>59</sup>

#### Requirements in Rule 17Ad-22(d)(1)–(15) that Impose a PRA Burden

Rules 17Ad-22(d)(1)–(15) impose a recordkeeping PRA burden and apply to two respondents. Each of these two respondents are clearing agencies that are currently registered with the Commission and are not covered clearing agencies. The Commission staff does not expect any additional clearing agencies to become subject to these rules in the three-year period covered by the prospective PRA extension.<sup>60</sup> The Commission staff estimates that the rules each require one response per respondent annually.

At the time Rules 17Ad-22(d)(1)–(15) were adopted, respondent clearing agencies already had written policies and procedures meeting the standards set forth in those rules as part of their usual and customary business practice. Accordingly, the Commission believed that the respondent clearing agencies would not need to build new infrastructure or modify operations to meet the requirements of Rule 17Ad-22(d)(1)–(15). The Commission believed that these respondent clearing agencies would incur incremental burdens associated with reviewing existing policies and procedures for compliance and updating existing policies and procedures where appropriate. In order to estimate the one-time burden and annual burden for ongoing activities, the Commission looked to the burdens imposed by similar policies and procedures requirements in Regulation NMS as a guide and adapted those figures to these rules.<sup>61</sup> Accordingly, the Commission estimated that Rules 17Ad-22(d)(1)–(15) would impose on each respondent clearing agency an initial burden of 146 hours in the first year<sup>62</sup> and an ongoing burden of 50 hours per year (including the first year).<sup>63</sup> However, for purposes of the prospective PRA extension, because the two respondent clearing agencies are already subject to the requirements in Rules 17Ad-22(d)(1)–(15), the Commission staff believes that these rules will not impose any initial PRA burdens on these two respondents.

Based on the Commission staff's experience reviewing the relevant policies and procedures of respondent clearing agencies, the Commission staff estimates that Rules 17Ad-22(d)(1)–(15) impose on each respondent an ongoing burden of 50 hours per year (including the

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<sup>58</sup> This figure was calculated as follows: \$251 per hour x 500 hours = \$125,500.

<sup>59</sup> This figure was calculated as follows: \$251 per hour x 250 hours = \$62,750.

<sup>60</sup> While the Commission staff estimates that one additional clearing agency could become registered with the Commission during the three-year period covered by this prospective PRA extension, the staff believes that such a registrant would likely be a covered clearing agency and, therefore, would not be subject to Rules 17Ad-22(d)(1)–(15).

<sup>61</sup> See Exchange Act Release No. 51808 (June 9, 2005), 70 FR 37496 (June 29, 2005).

<sup>62</sup> This figure was calculated as follows: Assistant General Counsel for 50 hours + Compliance Attorney for 71 hours + Computer Operations Manager for 12.5 hours + Senior Business Analyst for 12.5 hours = 146 initial burden hours per respondent.

<sup>63</sup> This figure was calculated as follows: Compliance Attorney for 50 hours x 1 annual response per respondent = 50 ongoing burden hours per year per respondent.

first year). **Therefore, the total estimated industry burden associated with Rules 17Ad-22(d)(1)–(15) is 100 hours per year.**<sup>64</sup>

Assuming an average hourly rate of \$424 for a Compliance Attorney,<sup>65</sup> the Commission staff estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$21,200 for the ongoing hourly burden imposed by Rules 17Ad-22(d)(1)–(15).<sup>66</sup>

#### Requirements in Rule 17Ad-22(e)(1) that Impose a PRA Burden

Rule 17Ad-22(e)(1) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the Commission staff estimates that one additional respondent may register with the Commission as a clearing agency and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(1) continues to require policies and procedures that provide for a well-founded, clear, transparent, and enforceable legal basis substantially the same as Rule 17Ad-22(d)(1). As a result, the Commission staff believes that a respondent clearing agency has in place written rules, policies and procedures substantially similar to those required by Rule 17Ad-22(e)(1) and, therefore, the PRA burden imposed by the rule continues to be minimal and likely limited to reviewing and updating current policies and procedures, where appropriate, to ensure compliance.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(1), the Commission staff estimates that Rule 17Ad-22(e)(1) imposes on each new respondent an initial burden of 8 hours in the first year,<sup>67</sup> or 2.67 hours per year when annualized over three years.<sup>68</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 3 hours per year (including the first year).<sup>69</sup> For the one respondent that is not currently registered with the Commission as a clearing agency,

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<sup>64</sup> This figure was calculated as follows: 50 hours per year x 2 respondent clearing agencies = 100 hours per year.

<sup>65</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>66</sup> This figure was calculated as follows: \$424 per hour x 50 hours = \$21,200.

<sup>67</sup> This figure was calculated as follows: Assistant General Counsel for 2 hours + Compliance Attorney for 6 hours = 8 initial burden hours per new respondent.

<sup>68</sup> This figure was calculated as follows: 8 initial burden hours ÷ 3 years = 2.67 annualized initial burden hours per new respondent.

<sup>69</sup> This figure was calculated as follows: Compliance Attorney for 3 hours = 3 ongoing burden hours per year per respondent.

this results in an estimated total annual burden of 6 hours.<sup>70</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the estimated total annual burden is 21 hours.<sup>71</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(1) for the eight respondents is approximately 27 hours per year.**<sup>72</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel and \$424 for a Compliance Attorney,<sup>73</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal cost of approximately \$3,624 for the initial hourly burden imposed by Rule 17Ad-22(e)(1).<sup>74</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$1,272 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(1).<sup>75</sup>

#### Requirements in Rule 17Ad-22(e)(2) that Impose a PRA Burden

Rule 17Ad-22(e)(2) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(2) continues to contain some provisions that are similar to Rule 17Ad-22(d)(8) while also adding requirements that do not appear in Rules 17Ad-22(b), (c), or (d). As a result, the Commission staff believes that a respondent clearing agency has in place some written rules, policies and procedures substantially similar to those required by Rule 17Ad-22(e)(2) and would only need to establish and implement a limited number of new policies and procedures. Therefore, the PRA burden imposed by the rule continues to be minimal and likely limited to reviewing and updating current policies and procedures, where appropriate, to ensure compliance.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(8), the Commission staff estimates that Rule 17Ad-22(e)(2) imposes on each new respondent an initial burden of 25 hours in the first year,<sup>76</sup> or 8.33 hours

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<sup>70</sup> This figure was calculated as follows: 2.67 hours per year + 3 ongoing burden hours per year = 5.67 total annual burden hours per new respondent rounded up to 6.

<sup>71</sup> This figure was calculated as follows: 3 ongoing burden hours per year x 7 respondent clearing agencies = 21 hours per year.

<sup>72</sup> This figure was calculated as follows: 21 hours + 5.67 hours = 26.67 hours rounded up to 27.

<sup>73</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>74</sup> This figure was calculated as follows: (\$540 per hour x 2 hours) = \$1,080 + (\$424 per hour x 6 hours) = \$2,544 = \$3,624.

<sup>75</sup> This figure was calculated as follows: \$424 per hour x 3 hours = \$1,272.

<sup>76</sup> This figure was calculated as follows: Assistant General Counsel for 14 hours + Compliance Attorney for 11 hours = 25 initial burden hours per new respondent.

per year when annualized over three years.<sup>77</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 5 hours per year (including the first year).<sup>78</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 13 hours.<sup>79</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 35 hours.<sup>80</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(2) for the eight respondents is approximately 48 hours per year.**<sup>81</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel and \$424 for a Compliance Attorney,<sup>82</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal cost of approximately \$12,224 for the initial hourly burden imposed by Rule 17Ad-22(e)(2).<sup>83</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal cost of approximately \$2,120 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(2).<sup>84</sup>

#### Requirements in Rule 17Ad-22(e)(3) that Impose a PRA Burden

Rule 17Ad-22(e)(3) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent that may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(3) continues to require policies and procedures that provide for a sound risk management framework. Under Rule 17Ad-22(d), registered clearing agencies were already required to have policies and procedures to manage certain risks, but this rule requires a comprehensive framework for risk management that requires risk management policies and procedures be designed holistically, be consistent with each other, and work effectively together. Accordingly, the rule continues to impose a PRA burden that requires respondent clearing agencies to update current policies and procedures in order to develop a more comprehensive

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<sup>77</sup> This figure was calculated as follows: 25 initial burden hours ÷ 3 years = 8.33 annualized initial burden hours per new respondent.

<sup>78</sup> This figure was calculated as follows: Compliance Attorney for 5 hours = 5 ongoing burden hours per year.

<sup>79</sup> This figure was calculated as follows: 5 hours + 8.33 hours = 13.33 hours rounded down to 13.

<sup>80</sup> This figure was calculated as follows: 5 ongoing burden hours x 7 respondent clearing agencies = 35 hours per year.

<sup>81</sup> This figure was calculated as follows: 13.33 hours + 35 hours = 48.33 hours rounded down to 48.

<sup>82</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>83</sup> This figure was calculated as follows: (\$540 per hour x 14 hours) = \$7,560 + (\$424 per hour x 11 hours) = \$4,664 = \$12,224.

<sup>84</sup> This figure was calculated as follows: \$424 per hour x 5 hours = \$2,120.

framework that includes a periodic review thereof and a plan for orderly recovery and wind-down of the covered clearing agency.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d), the Commission staff estimates that the rule imposes on each new respondent an initial burden of 57 hours in the first year,<sup>85</sup> or 19 hours per year when annualized over three years.<sup>86</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 49 hours per year (including the first year).<sup>87</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 68 hours.<sup>88</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 343 hours.<sup>89</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(3) for the eight respondents is approximately 411 hours per year.**<sup>90</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$415 for a Senior Risk Management Specialist, \$231 for a Risk Management Specialist, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, and \$94 for an Administrative Assistant,<sup>91</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$27,614 for the initial hourly burden imposed by Rule 17Ad-22(e)(3).<sup>92</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$12,887 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(3).<sup>93</sup>

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<sup>85</sup> This figure was calculated as follows: Assistant General Counsel for 25 hours + Compliance Attorney for 18 hours + Senior Risk Management Specialist for 7 hours + Computer Operations Manager for 7 hours = 57 initial burden hours per new respondent.

<sup>86</sup> This figure was calculated as follows: 57 initial burden hours ÷ 3 years = 19 annualized initial burden hours per new respondent.

<sup>87</sup> This figure was calculated as follows: Compliance Attorney for 8 hours + Administrative Assistant for 3 hours + Senior Business Analyst for 5 hours + Risk Management Specialist for 33 hours = 49 ongoing burden hours per year.

<sup>88</sup> This figure was calculated as follows: 49 hours + 19 hours = 68 hours.

<sup>89</sup> This figure was calculated as follows: 49 ongoing burden hours x 7 respondent clearing agencies = 343 hours per year.

<sup>90</sup> This figure was calculated as follows: 68 hours + 343 hours = 411 hours.

<sup>91</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>92</sup> This figure was calculated as follows: (\$540 per hour x 25 hours) = \$13,500 + (\$424 per hour x 18 hours) = \$7,632 + (\$415 per hour x 7 hours) = \$2,905 + (\$511 per hour x 7 hours) = \$3,577 = \$27,614.

<sup>93</sup> This figure was calculated as follows: (\$424 per hour x 8 hours) = \$3,392 + (\$94 per hour x 3 hours) = \$282 + (\$318 per hour x 5 hours) = \$1,590 + (\$231 per hour x 33 hours) = \$7,623 = \$12,887.

### Requirements in Rule 17Ad-22(e)(4) that Impose a PRA Burden

Rule 17Ad-22(e)(4) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

The Commission staff estimates that the PRA burdens for Rule 17Ad-22(e)(4) are significant, as changes to existing policies and procedures for the rule involve more than adjustments and may require a respondent to make substantial changes. In addition, Rule 17Ad-22(e)(4) requires one-time systems adjustments related to the capability to test the sufficiency of financial resources and to perform an annual conforming model validation.

Based on the Commission staff's experience reviewing relevant policies and procedures of respondent clearing agencies, the Commission staff estimates that Rule 17Ad-22(e)(4) imposes on each new respondent an initial burden of 219 hours in the first year,<sup>94</sup> or 73 hours per year when annualized over three years.<sup>95</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 62 hours per year (including the first year).<sup>96</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 135 hours.<sup>97</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 434 hours.<sup>98</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(4) for the eight respondents is approximately 569 hours per year.**<sup>99</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$415 for a Senior Risk Management Specialist, \$231 for a Risk Management Specialist, \$511 for a Computer Operations Manager, \$615 for a Chief Compliance Officer, \$384 for a Senior Programmer, \$94 for an Administrative Assistant, and \$318 for a

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<sup>94</sup> This figure was calculated as follows: Assistant General Counsel for 74 hours + Compliance Attorney for 45 hours + Senior Risk Management Specialist for 30 hours + Computer Operations Manager for 45 hours + Chief Compliance Officer for 15 hours + Senior Programmer for 10 hours = 219 initial burden hours per new respondent.

<sup>95</sup> This figure was calculated as follows: 219 initial burden hours ÷ 3 years = 73 annualized initial burden hours per new respondent.

<sup>96</sup> This figure was calculated as follows: Compliance Attorney for 26 hours + Administrative Assistant for 3 hours + Senior Business Analyst for 3 hours + Risk Management Specialist for 30 hours = 62 ongoing burden hours per year.

<sup>97</sup> This figure was calculated as follows: 62 hours + 73 hours = 135 hours.

<sup>98</sup> This figure was calculated as follows: 62 ongoing burden hours x 7 respondent clearing agencies = 434 hours per year.

<sup>99</sup> This figure was calculated as follows: 135 hours + 434 hours = 569 hours.

Senior Business Analyst,<sup>100</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$107,550 for the initial hourly burden imposed by Rule 17Ad-22(e)(4).<sup>101</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$19,190 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(4).<sup>102</sup>

#### Requirements in Rule 17Ad-22(e)(5) that Impose a PRA Burden

Rule 17Ad-22(e)(5) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

The Commission staff believes that respondent clearing agencies subject to Rule 17Ad-22(e)(5) would already have some written policies and procedures designed to address the collateral risks borne by these entities. As a result, the Commission staff believes that a respondent clearing agency would have needed to review and update existing policies and procedures as necessary and would have needed to adopt new policies and procedures with respect to an annual review of the sufficiency of collateral haircuts and concentration limits.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(3), the Commission staff estimates that Rule 17Ad-22(e)(5) imposes on each new respondent an initial burden of 42 hours in the first year,<sup>103</sup> or 14 hours per year when annualized over three years.<sup>104</sup> In addition, the Commission continues to estimate that the rule imposes on each respondent an ongoing burden of 36 hours per year (including the first year).<sup>105</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 50 hours.<sup>106</sup> For the seven

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<sup>100</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>101</sup> This figure was calculated as follows: (\$540 per hour x 74 hours) = \$39,960 + (\$424 per hour x 45 hours) = \$19,080 + (\$415 per hour x 30 hours) = \$12,450 + (\$511 per hour x 45 hours) = \$22,995 + (\$615 per hour x 15 hours) = \$9,225 + (\$384 per hour x 10 hours) = \$3,840 = \$107,550.

<sup>102</sup> This figure was calculated as follows: (\$424 per hour x 26 hours) = \$11,024 + (\$94 per hour x 3 hours) = \$282 + (\$318 per hour x 3 hours) = \$954 + (\$231 per hour x 30 hours) = \$6,930 = \$19,190.

<sup>103</sup> This figure was calculated as follows: Assistant General Counsel for 16 hours + Compliance Attorney for 12 hours + Senior Risk Management Specialist for 7 hours + Computer Operations Manager for 7 hours = 42 initial burden hours per new respondent.

<sup>104</sup> This figure was calculated as follows: 42 initial burden hours ÷ 3 years = 14 annualized initial burden hours per new respondent.

<sup>105</sup> This figure was calculated as follows: Compliance Attorney for 6 hours + Risk Management Specialist for 30 hours = 36 ongoing burden hours per year.

<sup>106</sup> This figure was calculated as follows: 36 hours + 14 hours = 50 hours.

respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 252 hours.<sup>107</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(5) for the eight respondents is approximately 302 hours per year.**<sup>108</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$415 for a Senior Risk Management Specialist, \$231 for a Risk Management Specialist, and \$511 for a Computer Operations Manager,<sup>109</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$20,210 for the initial hourly burden imposed by Rule 17Ad-22(e)(5).<sup>110</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$9,474 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(5).<sup>111</sup>

#### Requirements in Rule 17Ad-22(e)(6) that Impose a PRA Burden

Rule 17Ad-22(e)(6) imposes a recordkeeping PRA burden and applies to seven respondent clearing agencies that provide CCP services. The estimate of seven respondents includes six covered clearing agencies that provide CCP services and are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

The Commission staff believes that the PRA burdens for Rule 17Ad-22(e)(6) are more significant and would require a respondent clearing agency to make substantial changes to its policies and procedures. In addition, Rule 17Ad-22(e)(6) continues to require one-time system adjustments related to the capability to perform daily backtesting and monthly (or more frequent than monthly) sensitivity analyses.

Accordingly, the Commission staff estimates that Rule 17Ad-22(e)(6) imposes on each new respondent an initial burden of 180 hours in the first year,<sup>112</sup> or 60 hours per year when

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<sup>107</sup> This figure was calculated as follows: 36 ongoing burden hours x 7 respondent clearing agencies = 252 hours per year.

<sup>108</sup> This figure was calculated as follows: 50 hours + 252 hours = 302 hours.

<sup>109</sup> The per hour costs (\$540 for an Assistant General Counsel and \$424 for a Compliance Attorney) are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>110</sup> This figure was calculated as follows: (\$540 per hour x 16 hours) = \$8,640 + (\$424 per hour x 12 hours) = \$5,088 + (\$511 per hour x 7 hours) = \$3,577 + (\$415 per hour x 7 hours) = \$2,905 = \$20,210.

<sup>111</sup> This figure was calculated as follows: (\$424 per hour x 6 hours) = \$2,544 + (\$231 per hour x 30 hours) = \$6,930 = \$9,474.

<sup>112</sup> This figure was calculated as follows: Assistant General Counsel for 50 hours + Compliance Attorney for 40 hours + Senior Risk Management Specialist for 25 hours + Computer Operations Manager for 40 hours + Chief Compliance Officer for 15 hours + Senior Programmer for 10 hours = 180 initial burden hours per new respondent.

annualized over three years.<sup>113</sup> In addition, the Commission continues to estimate that the rule imposes on each respondent an ongoing burden of 60 hours per year (including the first year).<sup>114</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 120 hours.<sup>115</sup> For the six respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 360 hours.<sup>116</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(6) for the seven respondents is approximately 480 hours per year.**<sup>117</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$415 for a Senior Risk Management Specialist, \$231 for a Risk Management Specialist, \$511 for a Computer Operations Manager, \$615 for a Chief Compliance Officer, \$384 for a Senior Programmer, \$318 for a Senior Business Analyst, and \$94 for an Administrative Assistant,<sup>118</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$87,840 for the initial hourly burden imposed by Rule 17Ad-22(e)(6).<sup>119</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$18,342 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(6).<sup>120</sup>

### **2022 Proposed Rulemaking**

#### **Proposed Enhanced Margin Requirements in Rule 17Ad-22(e)(6) that Impose a PRA Burden**

The amendments to Rule 17Ad-22(e)(6) would impose a new information collection recordkeeping PRA burden. **The title of the new information collection is “17Ad-22(e)(6) (Enhanced Margin).”** The proposed amendments to Rule 17Ad-22(e)(6) would require a covered clearing agency to establish, implement, maintain, and enforce written policies and

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<sup>113</sup> This figure was calculated as follows: 180 initial burden hours ÷ 3 years = 60 annualized initial burden hours per new respondent.

<sup>114</sup> Compliance Attorney for 24 hours + Administrative Assistant for 3 hours + Senior Business Analyst for 3 hours + Risk Management Specialist for 30 hours = 60 ongoing burden hours per year.

<sup>115</sup> This figure was calculated as follows: 60 hours + 60 hours = 120 hours.

<sup>116</sup> This figure was calculated as follows: 60 ongoing burden hours x 6 respondent clearing agencies = 360 hours per year.

<sup>117</sup> This figure was calculated as follows: 120 hours + 360 hours = 480 hours.

<sup>118</sup> The per hour costs are from SIFMA’s Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>119</sup> This figure was calculated as follows: (\$540 per hour x 50 hours) = \$27,000 + (\$424 per hour x 40 hours) = \$16,960 + (\$415 per hour x 25 hours) = \$10,375 + (\$511 per hour x 40 hours) = \$20,440 + (\$615 per hour x 15 hours) = \$9,225 + (\$384 per hour x 10 hours) = \$3,840 = \$87,840.

<sup>120</sup> This figure was calculated as follows: (\$424 per hour x 24 hours) = \$10,176 + (\$94 per hour x 3 hours) = \$282 + (\$318 per hour x 3 hours) = \$954 + (\$231 per hour x 30 hours) = \$6,930 = \$18,342.

procedures. The proposed rule amendment contains similar provisions to existing covered clearing agency rules (i.e., Rules 17Ad-22(e)(6)(ii) and (iv)) but would also impose additional requirements that do not appear in the existing Rule 17Ad-22. As a result, the Commission preliminarily believes that a respondent covered clearing agency would incur burdens of reviewing and updating existing policies and procedures to consider whether they comply with the proposed amendment to Rule 17Ad-22(e)(6) and, in some cases, may need to create new policies and procedures to comply with the proposed amendments to Rule 17Ad-22(e)(6). For example, a covered clearing agency likely would need to review its existing margin methodology and consider whether any additional changes are necessary to ensure that it can meet the strengthened requirements of the proposed rule.

The Commission preliminarily believes that the estimated PRA burdens for the proposed amendment to Rule 17Ad-22(e)(6) may require a respondent covered clearing agency to make fairly substantial changes to its policies and procedures. Based on the similar policies and procedures requirements and the corresponding burden estimates previously made by the Commission for several rules in the Covered Clearing Agency Standards where the Commission anticipated similar burdens,<sup>121</sup> the Commission preliminarily estimates that the proposed amendment to Rule 17Ad-22(e)(6) would impose on each respondent covered clearing agency an initial burden of 129 hours in the first year,<sup>122</sup> or 43 hours per year when annualized over three years.<sup>123</sup>

In addition, the proposed amendments to Rule 17Ad-22(e)(6) would impose new information collection “17Ad-22(e)(6) (Enhanced Margin)” with respect to ongoing burdens on a respondent covered clearing agency. The proposed rule would require ongoing monitoring and compliance activities with respect to the written policies and procedures created in response to the proposed rule. Based on the similar reporting requirements and the corresponding burden estimates previously made by the Commission for several rules in the Covered Clearing Agency Standards where the Commission anticipated similar burdens,<sup>124</sup> the Commission preliminarily estimates that the ongoing activities required by the proposed amendments to Rule 17Ad-22(e)(6) would impose an ongoing burden of 85 hours per year (including the first year).<sup>125</sup>

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<sup>121</sup> See 2016 Adopting Release, *supra* note 24, 81 FR at 70895-97 (discussing Rules 17Ad-22(e)(13), (15), and (18)). Although the proposed rule amendment is with respect to Rule 17Ad-22(e)(6), the Commission believes that these Rules present the best overall comparison to the current proposed rule amendment, in light of the nature of the changes needed to implement the proposal here and what was proposed in the Covered Clearing Agency Standards.

<sup>122</sup> This figure was calculated as follows: (Assistant General Counsel for 20 hours) + (Compliance Attorney for 40 hours) + (Computer Operations Manager for 12 hours) + (Senior Programmer for 20 hours) + (Senior Risk Management Specialist for 25 hours) + (Senior Business Analyst for 12 hours) = 129 hours.

<sup>123</sup> This figure was calculated as follows: 129 initial burden hours ÷ 3 years = 43 annualized initial burden hours per respondent.

<sup>124</sup> See 2016 Adopting Release, *supra* note 24, 81 FR at 70893 and 70895-96 (discussing Rules 17Ad-22(e)(6) and (13)).

<sup>125</sup> This figure was calculated as follows: (Compliance Attorney for 25 hours + Business Risk Analyst for 40 hours + Senior Risk Management Specialist for 20 hours) = 85 hours.

**Therefore, the total aggregate industry burden associated with the proposed amendments to Rule 17Ad-22(e)(6) for the seven respondents is approximately 896 hours per year.**<sup>126</sup>

The Commission preliminarily estimates that respondent covered clearing agencies would incur an aggregate internal one-time cost of approximately \$397,985 to review existing policies and procedures and create new policies and procedures.<sup>127</sup> The proposed rule would also require ongoing monitoring and compliance activities with respect to the written policies and procedures created in response to the proposed rule. The Commission preliminarily estimates that the ongoing activities required by proposed amendments to Rule 17Ad-22(e)(6) would impose an aggregate ongoing cost on respondent covered clearing agencies of approximately \$200,620 per year.<sup>128</sup>

**Requirements in Rule 17Ad-22(e)(7) that Impose a PRA Burden**

Rule 17Ad-22(e)(7) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

The Commission staff believes that the PRA burdens for Rule 17Ad-22(e)(7) are more significant and would require a respondent clearing agency to make substantial changes to its policies and procedures. In addition, Rule 17Ad-22(e)(7) continues to require one-time systems adjustments related to the capability to perform an annual conforming model validation, the testing of sufficiency of liquid resources and the testing of access to liquidity providers.

Accordingly, the Commission staff estimates that Rule 17Ad-22(e)(7) imposes on each new respondent an initial burden of 330 hours in the first year,<sup>129</sup> or 110 hours per year when annualized over three years.<sup>130</sup> In addition, the Commission staff estimates that the rule imposes

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<sup>126</sup> This figure was calculated as follows: (43 hours + 85 hours) x 7 respondent covered clearing agencies = 896 hours.

<sup>127</sup> This figure was calculated as follows: (Assistant General Counsel for 20 hours at \$551 per hour) + (Compliance Attorney for 40 hours at \$432 per hour) + (Computer Operations Manager for 12 hours at \$521 per hour) + (Senior Programmer for 20 hours at \$392 per hour) + (Senior Risk Management Specialist for 25 hours at \$423 per hour) + (Senior Business Analyst for 12 hours at \$324 per hour) = \$56,855 x 7 respondent covered clearing agencies = \$397,985. See 2023 Proposing Release, supra note 26, 88 FR at 34736-37.

<sup>128</sup> This figure was calculated as follows: (Compliance Attorney for 25 hours at \$432 per hour) + (Business Risk Analyst for 40 hours at \$235 per hour) + (Senior Risk Management Specialist for 20 hours at \$423 per hour) = \$28,660 x 7 respondent covered clearing agencies = \$200,620. See 2023 Proposing Release, supra note 26, 88 FR at 34737 (the 2023 Proposing Release incorrectly stated the figure was \$214,620. The correct estimate is \$200,620).

<sup>129</sup> This figure was calculated as follows: Assistant General Counsel for 95 hours + Compliance Attorney for 85 hours + Senior Risk Management Specialist for 45 hours + Computer Operations Manager for 60 hours + Chief Compliance Officer for 30 hours + Senior Programmer for 15 hours = 330 initial burden hours per new respondent.

<sup>130</sup> This figure was calculated as follows: 330 initial burden hours ÷ 3 years = 110 annualized initial burden hours per new respondent.

on each respondent an ongoing burden of 128 hours per year (including the first year).<sup>131</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 238 hours.<sup>132</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 896 hours.<sup>133</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(7) for the eight respondents is approximately 1,134 hours per year.**<sup>134</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$415 for a Senior Risk Management Specialist, \$231 for a Risk Management Specialist, \$511 for a Computer Operations Manager, \$615 for a Chief Compliance Officer, \$384 for a Senior Programmer, \$318 for a Senior Business Analyst, and \$94 for an Administrative Assistant,<sup>135</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$160,885 for the initial hourly burden imposed by Rule 17Ad-22(e)(7).<sup>136</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$40,422 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(7).<sup>137</sup>

#### Requirements in Rule 17Ad-22(e)(8) that Impose a PRA Burden

Rule 17Ad-22(e)(8) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(8) contains substantially similar provisions to Rule 17Ad-22(d)(12). As a result, the Commission staff believes that a respondent clearing agency would already have written rules, policies, and procedures substantially similar to those required by Rule 17Ad-

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<sup>131</sup> This figure was calculated as follows: Compliance Attorney for 48 hours + Administrative Assistant for 5 hours + Senior Business Analyst for 5 hours + Risk Management Specialist for 60 hours + Senior Risk Management Specialist for 10 hours = 128 ongoing burden hours per year.

<sup>132</sup> This figure was calculated as follows: 110 hours + 128 hours = 238 hours.

<sup>133</sup> This figure was calculated as follows: 128 ongoing burden hours x 7 respondent clearing agencies = 896 hours per year.

<sup>134</sup> This figure was calculated as follows: 238 hours + 896 hours = 1,134 hours.

<sup>135</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>136</sup> This figure was calculated as follows: (\$540 per hour x 95 hours) = \$51,300 + (\$424 per hour x 85 hours) = \$36,040 + (\$415 per hour x 45 hours) = \$18,675 + (\$511 per hour x 60 hours) = \$30,660 + (\$615 per hour x 30 hours) = \$18,450 + (\$384 per hour x 15 hours) = \$5,760 = \$160,885.

<sup>137</sup> This figure was calculated as follows: (\$424 per hour x 48 hours) = \$20,352 + (\$94 per hour x 5 hours) = \$470 + (\$318 per hour x 5 hours) = \$1,590 + (\$231 per hour x 60 hours) = \$13,860 + (\$415 per hour x 10 hours) = \$4,150 = \$40,422.

22(e)(8). In this regard, the Commission staff believes that respondent clearing agencies would incur only the incremental burdens of reviewing and updating existing policies and procedures as necessary.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(12), the Commission staff estimates that Rule 17Ad-22(e)(8) imposes on each new respondent an initial burden of 12 hours in the first year,<sup>138</sup> or 4 hours per year when annualized over three years.<sup>139</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 5 hours per year (including the first year).<sup>140</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 9 hours.<sup>141</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 35 hours.<sup>142</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(8) for the eight respondents is approximately 44 hours per year.**<sup>143</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, and \$318 for a Senior Business Analyst,<sup>144</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$5,282 for the initial hourly burden imposed by Rule 17Ad-22(e)(8).<sup>145</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,120 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(8).<sup>146</sup>

#### Requirements in Rule 17Ad-22(e)(9) that Impose a PRA Burden

Rule 17Ad-22(e)(9) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing

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<sup>138</sup> This figure was calculated as follows: Assistant General Counsel for 2 hours + Compliance Attorney for 6 hours + Senior Business Analyst for 2 hours + Computer Operations Manager for 2 hours = 12 initial burden hours per new respondent.

<sup>139</sup> This figure was calculated as follows: 12 initial burden hours ÷ 3 years = 4 annualized initial burden hours per new respondent.

<sup>140</sup> This figure was calculated as follows: Compliance Attorney for 5 hours = 5 ongoing burden hours per year.

<sup>141</sup> This figure was calculated as follows: 5 hours + 4 hours = 9 hours.

<sup>142</sup> This figure was calculated as follows: 5 ongoing burden hours x 7 respondent clearing agencies = 35 hours per year.

<sup>143</sup> This figure was calculated as follows: 9 hours + 35 hours = 44 hours.

<sup>144</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>145</sup> This figure was calculated as follows: (\$540 per hour x 2 hours) = \$1,080 + (\$424 per hour x 6 hours) = \$2,544 + (\$511 per hour x 2 hours) = \$1,022 + (\$318 per hour x 2 hours) = \$636 = \$5,282.

<sup>146</sup> This figure was calculated as follows: \$424 per hour x 5 hours = \$2,120.

agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(9) contains substantially similar provisions to Rule 17Ad- 22(d)(5). As a result, the Commission staff believes that a respondent clearing agency already has written rules, policies, and procedures substantially similar to those required by Rule 17Ad-22(e)(9). In this regard, the Commission staff believes that respondent clearing agencies would incur only the incremental burdens of reviewing and updating existing policies and procedures as necessary.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(5), the Commission staff estimates that Rule 17Ad-22(e)(9) imposes on each new respondent an initial burden of 12 hours in the first year,<sup>147</sup> or 4 hours per year when annualized over three years.<sup>148</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 5 hours per year (including the first year).<sup>149</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 9 hours.<sup>150</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 35 hours.<sup>151</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(9) for the eight respondents is approximately 44 hours per year.**<sup>152</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, and \$318 for a Senior Business Analyst,<sup>153</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$5,282 for the initial hourly burden imposed by Rule 17Ad-22(e)(9).<sup>154</sup> The Commission staff also

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<sup>147</sup> This figure was calculated as follows: Assistant General Counsel for 2 hours + Compliance Attorney for 6 hours + Senior Business Analyst for 2 hours + Computer Operations Manager for 2 hours = 12 initial burden hours per new respondent.

<sup>148</sup> This figure was calculated as follows: 12 initial burden hours ÷ 3 years = 4 annualized initial burden hours per new respondent.

<sup>149</sup> This figure was calculated as follows: Compliance Attorney for 5 hours = 5 ongoing burden hours per year.

<sup>150</sup> This figure was calculated as follows: 5 hours + 4 hours = 9 hours.

<sup>151</sup> This figure was calculated as follows: 5 ongoing burden hours x 7 respondent clearing agencies = 35 hours per year.

<sup>152</sup> This figure was calculated as follows: 9 hours + 35 hours = 44 hours.

<sup>153</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>154</sup> This figure was calculated as follows: (\$540 per hour x 2 hours) = \$1,080 + (\$424 per hour x 6 hours) = \$2,544 + (\$511 per hour x 2 hours) = \$1,022 + (\$318 per hour x 2 hours) = \$636 = \$5,282.

estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,120 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(9).<sup>155</sup>

#### Requirements in Rule 17Ad-22(e)(10) that Impose a PRA Burden

Rule 17Ad-22(e)(10) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(10) contains substantially similar provisions to Rule 17Ad- 22(d)(15). As a result, the Commission staff believes that a respondent clearing agency would already have written rules, policies, and procedures substantially similar to those required by Rule 17Ad-22(e)(10). In this regard, the Commission staff believes that a respondent clearing agency would incur only the incremental burdens of reviewing and updating existing policies and procedures as necessary.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(15), the Commission staff estimates that Rule 17Ad-22(e)(10) imposes on each new respondent an initial burden of 12 hours in the first year,<sup>156</sup> or 4 hours per year when annualized over three years.<sup>157</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 5 hours per year (including the first year).<sup>158</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 9 hours.<sup>159</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 35 hours.<sup>160</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(10) for the eight respondents is approximately 44 hours per year.**<sup>161</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, and \$318 for a Senior Business

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<sup>155</sup> This figure was calculated as follows: \$424 per hour x 5 hours = \$2,120.

<sup>156</sup> This figure was calculated as follows: Assistant General Counsel for 2 hours + Compliance Attorney for 6 hours + Senior Business Analyst for 2 hours + Computer Operations Manager for 2 hours = 12 initial burden hours per new respondent.

<sup>157</sup> This figure was calculated as follows: 12 initial burden hours ÷ 3 years = 4 annualized initial burden hours per new respondent.

<sup>158</sup> This figure was calculated as follows: Compliance Attorney for 5 hours = 5 ongoing burden hours per year.

<sup>159</sup> This figure was calculated as follows: 5 hours + 4 hours = 9 hours.

<sup>160</sup> This figure was calculated as follows: 5 ongoing burden hours x 7 respondent clearing agencies = 35 hours per year.

<sup>161</sup> This figure was calculated as follows: 9 hours + 35 hours = 44 hours.

Analyst,<sup>162</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$5,282 for the initial hourly burden imposed by Rule 17Ad-22(e)(10).<sup>163</sup> The Commission also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,120 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(10).<sup>164</sup>

#### Requirements in Rule 17Ad-22(e)(11) that Impose a PRA Burden

Rule 17Ad-22(e)(11) imposes a recordkeeping PRA burden and applies to one respondent clearing agency that provides CSD services. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(11) contains similar provisions to Rule 17Ad-22(d)(10). As a result, the Commission staff believes that a respondent clearing agency providing CSD services would already have written rules, policies, and procedures similar to those required by Rule 17Ad-22(e)(11). Rule 17Ad-22(e)(10) also imposes requirements that do not appear in Rule 17Ad-22(d)(10). Accordingly, the Commission staff believes that a covered clearing agency providing CSD services may need to update or amend existing policies and procedures, as necessary, to satisfy the requirements and may also need to create new policies and procedures.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(10), the Commission staff estimates that Rule 17Ad-22(e)(11) imposes on each new respondent an initial burden of 55 hours in the first year.<sup>165</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 8 hours per year (including the first year).<sup>166</sup> **For the one respondent that is currently registered with the Commission as a clearing agency and has already incurred the initial burdens imposed by the rule, this results in a total estimated annual burden associated with Rule 17Ad-22(e)(11) of 8 hours.**<sup>167</sup>

Assuming an average hourly rate of \$424 for a Compliance Attorney,<sup>168</sup> the Commission staff estimates that the one respondent clearing agency that provides CSD services would incur

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<sup>162</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>163</sup> This figure was calculated as follows: (\$540 per hour x 2 hours) = \$1,080 + (\$424 per hour x 6 hours) = \$2,544 + (\$511 per hour x 2 hours) = \$1,022 + (\$318 per hour x 2 hours) = \$636 = \$5,282.

<sup>164</sup> This figure was calculated as follows: \$424 per hour x 5 hours = \$2,120.

<sup>165</sup> This figure was calculated as follows: Assistant General Counsel for 20 hours + Compliance Attorney for 10 hours + Intermediate Accountant for 15 hours + Senior Business Analyst for 5 hours + Computer Operations Manager for 5 hours = 55 initial burden hours per new respondent.

<sup>166</sup> This figure was calculated as follows: Compliance Attorney for 8 hours = 8 ongoing burden hours per year.

<sup>167</sup> This figure was calculated as follows: 8 ongoing burden hours x 1 respondent clearing agency = 8 hours per year.

<sup>168</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013,

an annual internal compliance cost of approximately \$3,392 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(11).<sup>169</sup>

#### Requirements in Rule 17Ad-22(e)(12) that Impose a PRA Burden

Rule 17Ad-22(e)(12) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(12) contains substantially similar provisions to Rule 17Ad- 22(d)(13). As a result, the Commission staff believes that a respondent clearing agency would already have written rules, policies, and procedures substantially similar to those required by Rule 17Ad-22(e)(12). In this regard, the Commission staff believes that a respondent clearing agency would incur only the incremental burdens of reviewing and updating existing policies and procedures as necessary.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(13), the Commission staff estimates that Rule 17Ad-22(e)(12) imposes on each new respondent an initial burden of 12 hours in the first year,<sup>170</sup> or 4 hours per year when annualized over three years.<sup>171</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 5 hours per year (including the first year).<sup>172</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 9 hours.<sup>173</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 35 hours.<sup>174</sup> **Therefore, the total aggregate industry burden for the eight respondents associated with Rule 17Ad-22(e)(12) is approximately 44 hours per year.**<sup>175</sup>

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modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>169</sup> This figure was calculated as follows: \$424 per hour x 8 hours = \$3,392.

<sup>170</sup> This figure was calculated as follows: Assistant General Counsel for 2 hours + Compliance Attorney for 6 hours + Senior Business Analyst for 2 hours + Computer Operations Manager for 2 hours = 12 initial burden hours per new respondent.

<sup>171</sup> This figure was calculated as follows: 12 initial burden hours ÷ 3 years = 4 annualized initial burden hours per new respondent.

<sup>172</sup> This figure was calculated as follows: Compliance Attorney for 5 hours = 5 ongoing burden hours per year.

<sup>173</sup> This figure was calculated as follows: 5 hours + 4 hours = 9 hours.

<sup>174</sup> This figure was calculated as follows: 5 ongoing burden hours x 7 respondent clearing agencies = 35 hours per year.

<sup>175</sup> This figure was calculated as follows: 9 hours + 35 hours = 44 hours.

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, and \$318 for a Senior Business Analyst,<sup>176</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$5,282 for the initial hourly burden imposed by Rule 17Ad-22(e)(12).<sup>177</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,120 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(12).<sup>178</sup>

#### Requirements in Rule 17Ad-22(e)(13) that Impose a PRA Burden

Rule 17Ad-22(e)(13) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(13) contains similar provisions to Rule 17Ad-22(d)(11) but would also impose additional requirements that do not appear in Rule 17Ad-22(d)(11). As a result, the Commission staff believes that a respondent clearing agency would incur burdens of reviewing and updating existing policies and procedures in order to comply with the provisions of Rule 17Ad-22(e)(13) and, in some cases, would need to create new policies and procedures.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(11), the Commission staff estimates that Rule 17Ad-22(e)(13) imposes on each new respondent an initial burden of 41 hours in the first year,<sup>179</sup> or 13.67 hours per year when annualized over three years.<sup>180</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 7 hours per year (including the first year).<sup>181</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 21 hours.<sup>182</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total

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<sup>176</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>177</sup> This figure was calculated as follows:  $(\$540 \text{ per hour} \times 2 \text{ hours}) = \$1,080 + (\$424 \text{ per hour} \times 6 \text{ hours}) = \$2,544 + (\$511 \text{ per hour} \times 2 \text{ hours}) = \$1,022 + (\$318 \text{ per hour} \times 2 \text{ hours}) = \$636 = \$5,282.$

<sup>178</sup> This figure was calculated as follows:  $\$424 \text{ per hour} \times 5 \text{ hours} = \$2,120.$

<sup>179</sup> This figure was calculated as follows: Assistant General Counsel for 6 hours + Compliance Attorney for 11 hours + Senior Business Analyst for 12 hours + Computer Operations Manager for 12 hours = 41 initial burden hours per new respondent.

<sup>180</sup> This figure was calculated as follows:  $41 \text{ initial burden hours} \div 3 \text{ years} = 13.67 \text{ annualized initial burden hours per new respondent.}$

<sup>181</sup> This figure was calculated as follows: Compliance Attorney for 7 hours = 7 ongoing burden hours per year.

<sup>182</sup> This figure was calculated as follows:  $7 \text{ hours} + 13.67 \text{ hours} = 20.67 \text{ hours rounded up to 21.}$

estimated annual burden is 49 hours.<sup>183</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(13) for the eight respondents is approximately 70 hours per year.**<sup>184</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, and \$318 for a Senior Business Analyst,<sup>185</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$17,852 for the initial hourly burden imposed by Rule 17Ad-22(e)(13).<sup>186</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,968 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(13).<sup>187</sup>

#### Requirements in Rule 17Ad-22(e)(14) that Impose a PRA Burden

Rule 17Ad-22(e)(14) imposes a recordkeeping PRA burden and applies to three respondent clearing agencies currently registered with the Commission. The Commission staff estimates that the rule requires one response per respondent annually.

Though not required by Rules 17Ad-22(b), (c), or (d), respondent clearing agencies that provide CCP services for security-based swaps generally have written policies and procedures regarding the segregation and portability of customer positions and collateral as a result of other regulations.<sup>188</sup> As a result, the Commission staff believes that respondent clearing agencies providing CCP services for security-based swaps would incur only the burdens of reviewing and updating existing policies and procedures as necessary in order to comply with Rule 17Ad-22(e)(14).

Accordingly, the Commission staff estimates that Rule 17Ad-22(e)(14) imposes on each new respondent an initial burden of 36 hours in the first year.<sup>189</sup> In addition, the Commission continues to estimate that the rule imposes on each respondent an ongoing burden of 6 hours per

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<sup>183</sup> This figure was calculated as follows: 7 ongoing burden hours x 7 respondent clearing agencies = 49 hours per year.

<sup>184</sup> This figure was calculated as follows: 20.67 hours + 49 hours = 69.67 hours rounded up to 70.

<sup>185</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>186</sup> This figure was calculated as follows: (\$540 per hour x 6 hours) = \$3,240 + (\$424 per hour x 11 hours) = \$4,664 + (\$511 per hour x 12 hours) = \$6,132 + (\$318 per hour x 12 hours) = \$3,816 = \$17,852.

<sup>187</sup> This figure was calculated as follows: \$424 per hour x 7 hours = \$2,968.

<sup>188</sup> See, e.g., 77 FR 6336 (Feb. 7, 2012) (CFTC adopting rules imposing a legal separation with operational commingling ("LSOC") model on DCOs for cleared swaps).

<sup>189</sup> This figure was calculated as follows: Assistant General Counsel for 12 hours + Compliance Attorney for 10 hours + Computer Operations Manager for 7 hours + Senior Business Analyst for 7 hours = 36 initial burden hours per new respondent.

year (including the first year).<sup>190</sup> There are no new respondents. **For the three respondents that are currently registered with the Commission as clearing agencies and have already incurred the initial burdens imposed by the rule, this results in a total estimated industry burden associated with Rule 17Ad-22(e)(14) of 18 hours per year.**<sup>191</sup>

Assuming an average hourly rate of \$424 for a Compliance Attorney,<sup>192</sup> the Commission staff estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,544 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(14).<sup>193</sup>

#### Requirements in Rule 17Ad-22(e)(15) that Impose a PRA Burden

Rule 17Ad-22(e)(15) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(15) requires policies and procedures that identify and manage general business risks borne by the clearing agency. Policies and procedures governing the identification and mitigation of general business risk were not required under Rule 17Ad- 22(b), (c), or (d), and, as a result, the Commission staff believes that the estimated PRA burdens associated with Rule 17Ad-22(e)(15) are more significant and would require a respondent clearing agency to make substantial changes to its policies and procedures.

Accordingly, the Commission staff estimates that Rule 17Ad-22(e)(15) imposes on each new respondent an initial burden of 210 hours in the first year,<sup>194</sup> or 70 hours per year when annualized over three years.<sup>195</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 48 hours per year (including the first year).<sup>196</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this

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<sup>190</sup> This figure was calculated as follows: Compliance Attorney for 6 hours = 6 ongoing burden hours per year.

<sup>191</sup> This figure was calculated as follows: 6 ongoing burden hours x 3 respondent clearing agencies = 18 hours per year.

<sup>192</sup> The per hour cost is from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>193</sup> This figure was calculated as follows: \$424 per hour x 6 hours = \$2,544.

<sup>194</sup> This figure was calculated as follows: Assistant General Counsel for 40 hours + Compliance Attorney for 30 hours + Computer Operations Manager for 10 hours + Senior Business Analyst for 10 hours + Financial Analyst for 70 hours + Chief Financial Officer for 50 hours = 210 initial burden hours per new respondent.

<sup>195</sup> This figure was calculated as follows: 210 initial burden hours ÷ 3 years = 70 annualized initial burden hours per new respondent.

<sup>196</sup> This figure was calculated as follows: Compliance Attorney for 42 hours + Administrative Assistant for 3 hours + Senior Business Analyst for 3 hours = 48 ongoing burden hours per year.

results in a total estimated annual burden of 118 hours.<sup>197</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 336 hours.<sup>198</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(15) for the eight respondents is approximately 454 hours per year.**<sup>199</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, \$318 for a Financial Analyst, \$1,238 for a Chief Financial Officer, and \$94 for an Administrative Assistant,<sup>200</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$126,770 for the initial hourly burden imposed by Rule 17Ad-22(e)(15).<sup>201</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$19,044 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(15).<sup>202</sup>

#### Requirements in Rule 17Ad-22(e)(16) that Impose a PRA Burden

Rule 17Ad-22(e)(16) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Respondent clearing agencies were already required to have written policies and procedures reasonably designed to address the safeguarding of the assets of the clearing agency and its participants. As a result, the Commission staff believes that a respondent clearing agency would need to conduct a review of, and update as necessary, current policies and procedures in order to ensure compliance with the rule.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(3), the Commission staff estimates that Rule 17Ad-22(e)(16)

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<sup>197</sup> This figure was calculated as follows: 48 hours + 70 hours = 118 hours.

<sup>198</sup> This figure was calculated as follows: 48 ongoing burden hours x 7 respondent clearing agencies = 336 hours per year.

<sup>199</sup> This figure was calculated as follows: 118 hours + 336 hours = 454 hours.

<sup>200</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. The Commission staff separately estimated an hourly rate for a Chief Financial Officer by using the website [www.salary.com](http://www.salary.com), which reports a median salary of \$416,649, and dividing by an 1800-hour work year and multiplying by 5.35 to account for bonuses, firm size, employee benefits, and overhead. The result is \$1,238 per hour.

<sup>201</sup> This figure was calculated as follows: (\$540 per hour x 40 hours) = \$21,600 + (\$424 per hour x 30 hours) = \$12,720 + (\$511 per hour x 10 hours) = \$5,110 + (\$318 per hour x 10 hours) = \$3,180 + (\$318 per hour x 70 hours) = \$22,260 + (\$1,238 per hour x 50 hours) = \$61,900 = \$126,770.

<sup>202</sup> This figure was calculated as follows: (\$424 per hour x 42 hours) = \$17,808 + (\$94 per hour x 3 hours) = \$282 + (\$318 per hour x 3 hours) = \$954 = \$19,044.

imposes on each new respondent an initial burden of 20 hours in the first year,<sup>203</sup> or 6.67 hours per year when annualized over three years.<sup>204</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 6 hours per year (including the first year).<sup>205</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 13 hours.<sup>206</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 42 hours.<sup>207</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(16) for the eight respondents is approximately 55 hours per year.**<sup>208</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, and \$318 for a Senior Business Analyst,<sup>209</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$8,868 for the initial hourly burden imposed by Rule 17Ad-22(e)(16).<sup>210</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,544 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(16).<sup>211</sup>

#### Requirements in Rule 17Ad-22(e)(17) that Impose a PRA Burden

Rule 17Ad-22(e)(17) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(17) contains similar requirements to those in Rule 17Ad- 22(d)(4) but would also impose additional requirements that do not appear in Rule 17Ad- 22(d)(4). As a

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<sup>203</sup> This figure was calculated as follows: Assistant General Counsel for 4 hours + Compliance Attorney for 8 hours + Senior Business Analyst for 4 hours + Computer Operations Manager for 4 hours = 20 initial burden hours per new respondent.

<sup>204</sup> This figure was calculated as follows: 20 initial burden hours ÷ 3 years = 6.67 annualized initial burden hours per new respondent.

<sup>205</sup> This figure was calculated as follows: Compliance Attorney for 6 hours = 6 ongoing burden hours per year.

<sup>206</sup> This figure was calculated as follows: 6 hours + 6.67 hours = 12.67 hours rounded up to 13.

<sup>207</sup> This figure was calculated as follows: 6 ongoing burden hours x 7 respondent clearing agencies = 42 hours per year.

<sup>208</sup> This figure was calculated as follows: 12.67 hours + 42 hours = 54.67 hours rounded up to 55.

<sup>209</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>210</sup> This figure was calculated as follows: (\$540 per hour x 4 hours) = \$2,160 + (\$424 per hour x 8 hours) = \$3,392 + (\$511 per hour x 4 hours) = \$2,044 + (\$318 per hour x 4 hours) = \$1,272 = \$8,868.

<sup>211</sup> This figure was calculated as follows: \$424 per hour x 6 hours = \$2,544.

result, the Commission staff believes that a respondent clearing agency would already have some written rules, policies, and procedures required by the rule, but it would also need to review and update existing policies and procedures, where necessary, and would need to create policies and procedures to address the additional requirements.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(4), the Commission staff estimates that Rule 17Ad-22(e)(17) imposes on each new respondent an initial burden of 28 hours in the first year,<sup>212</sup> or 9.33 hours per year when annualized over three years,<sup>213</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 6 hours per year (including the first year).<sup>214</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 15 hours.<sup>215</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 42 hours.<sup>216</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(17) for the eight respondents is approximately 57 hours per year.**<sup>217</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, \$615 for a Chief Compliance Officer, and \$384 for a Senior Programmer,<sup>218</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$13,118 for the initial hourly burden imposed by Rule 17Ad-22(e)(17).<sup>219</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,544 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(17).<sup>220</sup>

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<sup>212</sup> This figure was calculated as follows: Assistant General Counsel for 4 hours + Compliance Attorney for 8 hours + Senior Business Analyst for 4 hours + Computer Operations Manager for 6 hours + Chief Compliance Officer for 4 hours + Senior Programmer for 2 hours = 28 initial burden hours per new respondent.

<sup>213</sup> This figure was calculated as follows: 28 initial burden hours ÷ 3 years = 9.33 annualized initial burden hours per new respondent.

<sup>214</sup> This figure was calculated as follows: Compliance Attorney for 6 hours = 6 ongoing burden hours per year.

<sup>215</sup> This figure was calculated as follows: 6 hours + 9.33 hours = 15.33 hours rounded down to 15.

<sup>216</sup> This figure was calculated as follows: 6 ongoing burden hours x 7 respondent clearing agencies = 42 hours per year.

<sup>217</sup> This figure was calculated as follows: 15.33 hours + 42 hours = 57.33 hours rounded down to 57.

<sup>218</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>219</sup> This figure was calculated as follows: (\$540 per hour x 4 hours) = \$2,160 + (\$424 per hour x 8 hours) = \$3,392 + (\$511 per hour x 6 hours) = \$3,066 + (\$318 per hour x 4 hours) = \$1,272 + (\$615 per hour x 4 hours) = \$2,460 + (\$384 per hour x 2 hours) = \$768 = \$13,118.

<sup>220</sup> This figure was calculated as follows: \$424 per hour x 6 hours = \$2,544.

### Requirements in Rule 17Ad-22(e)(18) that Impose a PRA Burden

Rule 17Ad-22(e)(18) imposes a third-party reporting PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(18) contains similar requirements to those in Rules 17Ad- 22(b)(5)–(7) and (d)(2). As a result, the Commission staff believes that a respondent clearing agency would already have written rules, policies, and procedures containing provisions similar to those required by the rule. Rule 17Ad-22(e)(18) also continues to impose additional requirements that do not appear in Rules 17Ad-22(b) or (d), however, necessitating the creation of new policies and procedures to address these additional requirements.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rules 17Ad-22(b)(5)–(7) and 17Ad-22(d)(2), the Commission staff estimates that Rule 17Ad-22(e)(18) imposes on each new respondent an initial burden of 44 hours in the first year,<sup>221</sup> or 14.67 hours per year when annualized over three years.<sup>222</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 7 hours per year (including the first year).<sup>223</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 22 hours.<sup>224</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 49 hours.<sup>225</sup> **Therefore, the total aggregate industry burden for the eight respondents associated with Rule 17Ad-22(e)(18) is approximately 71 hours per year.**<sup>226</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, \$615 for a Chief Compliance Officer, and \$384 for a Senior Programmer,<sup>227</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing

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<sup>221</sup> This figure was calculated as follows: Assistant General Counsel for 10 hours + Compliance Attorney for 7 hours + Senior Business Analyst for 5 hours + Computer Operations Manager for 15 hours + Chief Compliance Officer for 5 hours + Senior Programmer for 2 hours = 44 initial burden hours per new respondent.

<sup>222</sup> This figure was calculated as follows: 44 initial burden hours ÷ 3 years = 14.67 annualized initial burden hours per new respondent.

<sup>223</sup> This figure was calculated as follows: Compliance Attorney for 7 hours = 7 ongoing burden hours per year.

<sup>224</sup> This figure was calculated as follows: 7 hours + 14.67 hours = 21.67 hours rounded up to 22.

<sup>225</sup> This figure was calculated as follows: 7 ongoing burden hours x 7 respondent clearing agencies = 49 hours per year.

<sup>226</sup> This figure was calculated as follows: 21.67 hours + 49 hours = 70.67 hours rounded up to 71.

<sup>227</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

agency would incur a one-time internal compliance cost of approximately \$21,466 for the initial hourly burden imposed by Rule 17Ad-22(e)(18).<sup>228</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,968 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(18).<sup>229</sup>

#### Requirements in Rule 17Ad-22(e)(19) that Impose a PRA Burden

Rule 17Ad-22(e)(19) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(19) includes requirements that have not been previously included in Rules 17Ad-22(b), (c) or (d) and, therefore, the Commission staff believes that a respondent clearing agency would need to create new policies and procedures to address the requirements of Rule 17Ad-22(e)(19).

Accordingly, the Commission staff estimates that Rule 17Ad-22(e)(19) imposes on each new respondent an initial burden of 44 hours in the first year,<sup>230</sup> or 14.67 hours per year when annualized over three years.<sup>231</sup> In addition, the Commission continues to estimate that the rule imposes on each respondent an ongoing burden of 7 hours per year (including the first year).<sup>232</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 22 hours.<sup>233</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 49 hours.<sup>234</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(19) for the eight respondents is approximately 71 hours per year.**<sup>235</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business

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<sup>228</sup> This figure was calculated as follows: (\$540 per hour x 10 hours) = \$5,400 + (\$424 per hour x 7 hours) = \$2,968 + (\$511 per hour x 15 hours) = \$7,665 + (\$318 per hour x 5 hours) = \$1,590 + (\$615 per hour x 5 hours) = \$3,075 + (\$384 per hour x 2 hours) = \$768 = \$21,466.

<sup>229</sup> This figure was calculated as follows: \$424 per hour x 7 hours = \$2,968.

<sup>230</sup> This figure was calculated as follows: Assistant General Counsel for 10 hours + Compliance Attorney for 7 hours + Computer Operations Manager for 15 hours + Senior Business Analyst for 5 hours + Chief Compliance Officer for 5 hours + Senior Programmer for 2 hours = 44 initial burden hours per new respondent.

<sup>231</sup> This figure was calculated as follows: 44 initial burden hours ÷ 3 years = 14.67 annualized initial burden hours per new respondent.

<sup>232</sup> This figure was calculated as follows: Compliance Attorney for 7 hours = 7 ongoing burden hours per year.

<sup>233</sup> This figure was calculated as follows: 7 hours + 14.67 hours = 21.67 hours rounded up to 22.

<sup>234</sup> This figure was calculated as follows: 7 ongoing burden hours x 7 respondent clearing agencies = 49 hours per year.

<sup>235</sup> This figure was calculated as follows: 21.67 hours + 49 hours = 70.67 hours rounded up to 71.

Analyst, \$615 for a Chief Compliance Officer, and \$384 for a Senior Programmer,<sup>236</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$21,466 for the initial hourly burden imposed by Rule 17Ad-22(e)(19).<sup>237</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,968 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(19).<sup>238</sup>

#### Requirements in Rule 17Ad-22(e)(20) that Impose a PRA Burden

Rule 17Ad-22(e)(20) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Under Rule 17Ad-22(d)(7), registered clearing agencies were already required to have written policies and procedures similar to the requirements of Rule 17Ad-22(e)(20). As a result, the Commission staff believes that a respondent clearing agency would need to review and update existing policies and procedures, as necessary, to satisfy the requirements of Rule 17Ad-22(e)(20).

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(7), the Commission staff estimates that Rule 17Ad-22(e)(20) imposes on each new respondent an initial burden of 44 hours in the first year,<sup>239</sup> or 14.67 hours per year when annualized over three years.<sup>240</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 7 hours per year (including the first year).<sup>241</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 22 hours.<sup>242</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total

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<sup>236</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>237</sup> This figure was calculated as follows: (\$540 per hour x 10 hours) = \$5,400 + (\$424 per hour x 7 hours) = \$2,968 + (\$511 per hour x 15 hours) = \$7,665 + (\$318 per hour x 5 hours) = \$1,590 + (\$615 per hour x 5 hours) = \$3,075 + (\$384 per hour x 2 hours) = \$768 = \$21,466.

<sup>238</sup> This figure was calculated as follows: \$424 per hour x 7 hours = \$2,968.

<sup>239</sup> This figure was calculated as follows: Assistant General Counsel for 10 hours + Compliance Attorney for 7 hours + Senior Business Analyst for 5 hours + Computer Operations Manager for 15 hours + Chief Compliance Officer for 5 hours + Senior Programmer for 2 hours = 44 initial burden hours per new respondent.

<sup>240</sup> This figure was calculated as follows: 44 initial burden hours ÷ 3 years = 14.67 annualized initial burden hours per new respondent.

<sup>241</sup> This figure was calculated as follows: Compliance Attorney for 7 hours = 7 ongoing burden hours per year.

<sup>242</sup> This figure was calculated as follows: 7 hours + 14.67 hours = 21.67 hours rounded up to 22.

estimated annual burden is 49 hours.<sup>243</sup> **Therefore, the total aggregate industry burden for the eight respondents associated with Rule 17Ad-22(e)(20) is approximately 71 hours per year.**<sup>244</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, \$615 for a Chief Compliance Officer, and \$384 for a Senior Programmer,<sup>245</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$21,466 for the initial hourly burden imposed by Rule 17Ad-22(e)(20).<sup>246</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,968 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(20).<sup>247</sup>

#### Requirements in Rule 17Ad-22(e)(21) that Impose a PRA Burden

Rule 17Ad-22(e)(21) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(21) contains requirements similar to those in Rule 17Ad-22(d)(6), but also imposes new requirements. As a result, the Commission staff believes that a respondent clearing agency is likely to incur the burdens of reviewing and updating existing policies and procedures and would need to create new policies and procedures to satisfy the rule as necessary.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(6), the Commission staff estimates that Rule 17Ad-22(e)(21) imposes on each new respondent an initial burden of 32 hours in the first year,<sup>248</sup> or 10.67 hours per year when annualized over three years.<sup>249</sup> In addition, the Commission staff estimates that the

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<sup>243</sup> This figure was calculated as follows: 7 ongoing burden hours x 7 respondent clearing agencies = 49 hours per year.

<sup>244</sup> This figure was calculated as follows: 21.67 hours + 49 hours = 70.67 hours rounded up to 71.

<sup>245</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>246</sup> This figure was calculated as follows: (\$540 per hour x 10 hours) = \$5,400 + (\$424 per hour x 7 hours) = \$2,968 + (\$511 per hour x 15 hours) = \$7,665 + (\$318 per hour x 5 hours) = \$1,590 + (\$615 per hour x 5 hours) = \$3,075 + (\$384 per hour x 2 hours) = \$768 = \$21,466.

<sup>247</sup> This figure was calculated as follows: \$424 per hour x 7 hours = \$2,968.

<sup>248</sup> This figure was calculated as follows: Assistant General Counsel for 10 hours + Compliance Attorney for 7 hours + Senior Business Analyst for 5 hours + Computer Operations Manager for 10 hours = 32 initial burden hours per new respondent.

<sup>249</sup> This figure was calculated as follows: 32 initial burden hours ÷ 3 years = 10.67 annualized initial burden hours per new respondent.

rule imposes on each respondent an ongoing burden of 11 hours per year (including the first year).<sup>250</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 22 hours.<sup>251</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 77 hours.<sup>252</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(21) for the eight respondents is approximately 99 hours per year.**<sup>253</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, and \$94 for an Administrative Assistant,<sup>254</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$15,068 for the initial hourly burden imposed by Rule 17Ad-22(e)(21).<sup>255</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$3,356 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(21).<sup>256</sup>

#### Requirements in Rule 17Ad-22(e)(22) that Impose a PRA Burden

Rule 17Ad-22(e)(22) imposes a recordkeeping PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(22) requires a respondent clearing agency to have written policies and procedures regarding the use of relevant internationally accepted communication procedures and standards. While respondent clearing agencies are not subject to similar requirements under Rules 17Ad-22(b), (c) or (d), the Commission staff believes that respondent clearing agencies already use the relevant internationally accepted communication procedures and standards and

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<sup>250</sup> This figure was calculated as follows: Compliance Attorney for 5 hours + Administrative Assistant for 3 hours + Senior Business Analyst for 3 hours = 11 ongoing burden hours per year.

<sup>251</sup> This figure was calculated as follows: 11 hours + 10.67 hours = 21.67 hours rounded up to 22.

<sup>252</sup> This figure was calculated as follows: 11 ongoing burden hours x 7 respondent clearing agencies = 77 hours per year.

<sup>253</sup> This figure was calculated as follows: 21.67 hours + 77 hours = 98.67 hours rounded up to 99.

<sup>254</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>255</sup> This figure was calculated as follows: (\$540 per hour x 10 hours) = \$5,400 + (\$424 per hour x 7 hours) = \$2,968 + (\$511 per hour x 10 hours) = \$5,110 + (\$318 per hour x 5 hours) = \$1,590 = \$15,068.

<sup>256</sup> This figure was calculated as follows: (\$424 per hour x 5 hours) = \$2,120 + (\$94 per hour x 3 hours) = \$282 + (\$318 per hour x 3 hours) = \$954 = \$3,356.

continues to expect that a respondent clearing agency would need to make only limited changes to satisfy the requirements under the Rule 17Ad-22(e)(22).

Accordingly, the Commission staff estimates that Rule 17Ad-22(e)(22) imposes on each new respondent an initial burden of 24 hours in the first year,<sup>257</sup> or 8 hours per year when annualized over three years.<sup>258</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 5 hours per year (including the first year).<sup>259</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 13 hours.<sup>260</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 35 hours.<sup>261</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(22) for the eight respondents is approximately 48 hours per year.**<sup>262</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, \$615 for a Chief Compliance Officer, and \$384 for a Senior Programmer,<sup>263</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$11,680 for the initial hourly burden imposed by Rule 17Ad-22(e)(22).<sup>264</sup> The Commission staff also estimates that each respondent clearing agency would incur an annual internal compliance cost of approximately \$2,120 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(22).<sup>265</sup>

#### Requirements in Rule 17Ad-22(e)(23) that Impose a PRA Burden

Rule 17Ad-22(e)(23) imposes a third-party reporting PRA burden and applies to eight respondent clearing agencies. The estimate of eight respondents includes seven covered clearing agencies that are already registered with the Commission, and the staff estimates that one

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<sup>257</sup> This figure was calculated as follows: Assistant General Counsel for 2 hours + Compliance Attorney for 6 hours + Computer Operations Manager for 7 hours + Senior Business Analyst for 2 hours + Chief Compliance Officer for 5 hours + Senior Programmer for 2 hours = 24 initial burden hours per new respondent.

<sup>258</sup> This figure was calculated as follows: 24 initial burden hours ÷ 3 years = 8 annualized initial burden hours per new respondent.

<sup>259</sup> This figure was calculated as follows: Compliance Attorney for 5 hours = 5 ongoing burden hours per year.

<sup>260</sup> This figure was calculated as follows: 5 hours + 8 hours = 13 hours.

<sup>261</sup> This figure was calculated as follows: 5 ongoing burden hours x 7 respondent clearing agencies = 35 hours per year.

<sup>262</sup> This figure was calculated as follows: 13 hours + 35 hours = 48 hours.

<sup>263</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>264</sup> This figure was calculated as follows: (\$540 per hour x 2 hours) = \$1,080 + (\$424 per hour x 6 hours) = \$2,544 + (\$511 per hour x 7 hours) = \$3,577 + (\$318 per hour x 2 hours) = \$636 + (\$615 per hour x 5 hours) = \$3,075 + (\$384 per hour x 2 hours) = \$768 = \$11,680.

<sup>265</sup> This figure was calculated as follows: \$424 per hour x 5 hours = \$2,120.

additional respondent may register with the Commission and become subject to the rule. The Commission staff estimates that the rule requires one response per respondent annually.

Rule 17Ad-22(e)(23) contains similar requirements to Rule 17Ad-22(d)(9), but also imposes substantial new requirements. As a result, the Commission staff believes that, although a respondent clearing agency was already required to have written rules, policies and procedures containing provisions similar to some of the requirements in Rule 17Ad-22(e)(23), a respondent clearing agency would also need to establish new policies and procedures to address additional requirements.

Based on similar policies and procedures requirements and the corresponding burden estimates for Rule 17Ad-22(d)(9), the Commission staff estimates that Rule 17Ad-22(e)(23) imposes on each new respondent an initial burden of 138 hours in the first year,<sup>266</sup> or 46 hours per year when annualized over three years.<sup>267</sup> In addition, the Commission staff estimates that the rule imposes on each respondent an ongoing burden of 34 hours per year (including the first year).<sup>268</sup> For the one respondent that is not currently registered with the Commission as a clearing agency, this results in a total estimated annual burden of 80 hours.<sup>269</sup> For the seven respondents that are currently registered with the Commission as clearing agencies, the total estimated annual burden is 238 hours.<sup>270</sup> **Therefore, the total aggregate industry burden associated with Rule 17Ad-22(e)(23) for the eight respondents is approximately 318 hours per year.**<sup>271</sup>

Assuming an average hourly rate of \$540 for an Assistant General Counsel, \$424 for a Compliance Attorney, \$511 for a Computer Operations Manager, \$318 for a Senior Business Analyst, \$615 for a Chief Compliance Officer, and \$384 for a Senior Programmer,<sup>272</sup> the Commission staff estimates that the one respondent that is not currently registered as a clearing agency would incur a one-time internal compliance cost of approximately \$66,914 for the initial hourly burden imposed by Rule 17Ad-22(e)(23).<sup>273</sup> The Commission staff also estimates that

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<sup>266</sup> This figure was calculated as follows: Assistant General Counsel for 38 hours + Compliance Attorney for 24 hours + Senior Business Analyst for 18 hours + Computer Operations Manager for 32 hours + Chief Compliance Officer for 18 hours + Senior Programmer for 8 hours = 138 initial burden hours per new respondent.

<sup>267</sup> This figure was calculated as follows: 138 initial burden hours ÷ 3 years = 46 annualized initial burden hours per new respondent.

<sup>268</sup> This figure was calculated as follows: Compliance Attorney for 34 hours = 34 ongoing burden hours per year.

<sup>269</sup> This figure was calculated as follows: 34 hours + 46 hours = 80 hours.

<sup>270</sup> This figure was calculated as follows: 34 ongoing burden hours x 7 respondent clearing agencies = 238 hours per year.

<sup>271</sup> This figure was calculated as follows: 80 hours + 238 hours = 318 hours.

<sup>272</sup> The per hour costs are from SIFMA's Management and Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

<sup>273</sup> This figure was calculated as follows: (\$540 per hour x 38 hours) = \$20,520 + (\$424 per hour x 24 hours) =

each respondent clearing agency would incur an annual internal compliance cost of approximately \$14,416 for the ongoing hourly burden imposed by Rule 17Ad-22(e)(23).<sup>274</sup>

**In sum, the total aggregate annual time burden for all respondent clearing agencies under Rules 17Ad-22(b), (c), (d), and (e) is approximately 9,428 hours, as reflected in the table below.**

iii. Table Summary of Hourly Burdens for Rule 17Ad-22

The table below summarizes the Commission staff’s estimates of the total hourly burden for all respondents under Rules 17Ad-22(b), (c), (d), and (e). For certain information collections, the table includes more than one row for the information collection (i.e., for the same rule). In such cases, the top row is intended to reflect the burden estimates for the respondents that are currently registered with the Commission as clearing agencies, and the next row is intended to reflect the estimates for the respondent that is not currently registered as a clearing agency.<sup>275</sup> A third row provides the subtotals from the two rows above.

IC	Name of Information Collection	Type of Burden	Number of Entities Impacted	Number of Annual Responses Per Entity	Initial Burden Per Entity Per Response	Annualized Initial Burden Per Entity Per Response	Ongoing Burden Per Entity Per Response	Total Annual Burden Per Entity	Total Annual Industry Burden
1	17Ad-22(b)(1)–(3)	Recordkeeping	9	1	0	0	10	10	90
2	17Ad-22(b)(4)	Recordkeeping	9	1	0	0	60	60	540
3	17Ad-22(b)(5)–(7)	Recordkeeping	9	1	0	0	60	60	540
4	17Ad-22(c)(1)	Recordkeeping	9	4	0	0	3	12	108
5	17Ad-22(c)(2)	Third-Party Reporting	9	1	0	0	250	250	2,250

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$\$10,176 + (\$511 \text{ per hour} \times 32 \text{ hours}) = \$16,352 + (\$318 \text{ per hour} \times 18 \text{ hours}) = \$5,724 + (\$615 \text{ per hour} \times 18 \text{ hours}) = \$11,070 + (\$384 \text{ per hour} \times 8 \text{ hours}) = \$3,072 = \$66,914.$

<sup>274</sup> This figure was calculated as follows:  $\$424 \text{ per hour} \times 34 \text{ hours} = \$14,416.$

<sup>275</sup> The use of “RNR” in the table below stands for “Respondent Not Registered.”

6	17Ad-22(c)(2) (RNR)	Third-Party Reporting	1	1	500	166.67	250	417	417
	Subtotal		10						2,667
7	17Ad-22(d)(1)-(15)	Recordkeeping	2	1	0	0	50	50	100
8	17Ad-22(e)(1)	Recordkeeping	7	1	0	0	3	3	21
9	17Ad-22(e)(1) (RNR)	Recordkeeping	1	1	8	2.67	3	6	6
	Subtotal		8						27
10	17Ad-22(e)(2)	Recordkeeping	7	1	0	0	5	5	35
11	17Ad-22(e)(2) (RNR)	Recordkeeping	1	1	25	8.33	5	13	13
	Subtotal		8						48
12	17Ad-22(e)(3)	Recordkeeping	7	1	0	0	49	49	343
13	17Ad-22(e)(3) (RNR)	Recordkeeping	1	1	57	19	49	68	68
	Subtotal		8						411
14	17Ad-22(e)(4)	Recordkeeping	7	1	0	0	62	62	434
15	17Ad-22(e)(4) (RNR)	Recordkeeping	1	1	219	73	62	135	135
	Subtotal		8						569
16	17Ad-22(e)(5)	Recordkeeping	7	1	0	0	36	36	252
17	17Ad-22(e)(5) (RNR)	Recordkeeping	1	1	42	14	36	50	50
	Subtotal		8						302
18	17Ad-22(e)(6)	Recordkeeping	6	1	0	0	60	60	360
19	17Ad-22(e)(6) (RNR)	Recordkeeping	1	1	180	60	60	120	120
53	17Ad-22(e)(6) Enhanced Margin	Recordkeeping	6	1	129	43	85	128	768
54			1	1	129	43	85	128	128
	Subtotal		14						1,376
20	17Ad-22(e)(7)	Recordkeeping	7	1	0	0	128	128	896
21	17Ad-22(e)(7) (RNR)	Recordkeeping	1	1	330	110	128	238	238
	Subtotal		8						1,134
22	17Ad-22(e)(8)	Recordkeeping	7	1	0	0	5	5	35
23	17Ad-22(e)(8) (RNR)	Recordkeeping	1	1	12	4	5	9	9

	Subtotal		8						44
24	17Ad-22(e)(9)	Recordkeeping	7	1	0	0	5	5	35
25	17Ad-22(e)(9) (RNR)	Recordkeeping	1	1	12	4	5	9	9
	Subtotal		8						44
26	17Ad-22(e)(10)	Recordkeeping	7	1	0	0	5	5	35
27	17Ad-22(e)(10) (RNR)	Recordkeeping	1	1	12	4	5	9	9
	Subtotal		8						44
28	17Ad-22(e)(11)	Recordkeeping	1	1	0	0	8	8	8
29	17Ad-22(e)(12)	Recordkeeping	7	1	0	0	5	5	35
30	17Ad-22(e)(12) (RNR)	Recordkeeping	1	1	12	4	5	9	9
	Subtotal		8						44
31	17Ad-22(e)(13)	Recordkeeping	7	1	0	0	7	7	49
32	17Ad-22(e)(13) (RNR)	Recordkeeping	1	1	41	13.67	7	21	21
	Subtotal		8						70
33/ 34	17Ad-22(e)(14)	Recordkeeping	3	1	0	0	6	6	18
35	17Ad-22(e)(15)	Recordkeeping	7	1	0	0	48	48	336
36	17Ad-22(e)(15) (RNR)	Recordkeeping	1	1	210	70	48	118	118
	Subtotal		8						454
37	17Ad-22(e)(16)	Recordkeeping	7	1	0	0	6	6	42
38	17Ad-22(e)(16) (RNR)	Recordkeeping	1	1	20	6.67	6	13	13
	Subtotal		8						55
39	17Ad-22(e)(17)	Recordkeeping	7	1	0	0	6	6	42
40	17Ad-22(e)(17) (RNR)	Recordkeeping	1	1	28	9.33	6	15	15
	Subtotal		8						57
41	17Ad-22(e)(18)	Third-Party Reporting	7	1	0	0	7	7	49
42	17Ad-22(e)(18) (RNR)	Third-Party Reporting	1	1	44	14.67	7	22	22
	Subtotal		8						71
43	17Ad-22(e)(19)	Recordkeeping	7	1	0	0	7	7	49

44	17Ad-22(e)(19) (RNR)	Recordkeeping	1	1	44	14.67	7	22	22
	Subtotal		8						71
45	17Ad-22(e)(20)	Recordkeeping	7	1	0	0	7	7	49
46	17Ad-22(e)(20) (RNR)	Recordkeeping	1	1	44	14.67	7	22	22
	Subtotal		8						71
47	17Ad-22(e)(21)	Recordkeeping	7	1	0	0	11	11	77
48	17Ad-22(e)(21) (RNR)	Recordkeeping	1	1	32	10.67	11	22	22
	Subtotal		8						99
49	17Ad-22(e)(22)	Recordkeeping	7	1	0	0	5	5	35
50	17Ad-22(e)(22) (RNR)	Recordkeeping	1	1	24	8	5	13	13
	Subtotal		8						48
51	17Ad-22(e)(23)	Third-Party Recordkeeping	7	1	0	0	34	34	238
52	17Ad-22(e)(23) (RNR)	Third-Party Recordkeeping	1	1	138	46	34	80	80
	Subtotal		8						318
<b>Total Aggregate Burden for All Respondents</b>									<b>9,428</b>

### 13. Costs to Respondents

The total estimated annual cost burden associated with Rule 17Ad-22 is \$14,041,280 calculated as described below:

#### Requirements in Rule 17Ad-22(b)(4) that Impose Costs on Registered Clearing Agencies

Based on its oversight of registered clearing agencies, the Commission staff estimates that Rule 17Ad-22(b)(4) will impose an annual cost on all respondent clearing agencies for work on model validation. The Commission staff believes that respondent clearing agencies will hire a consulting firm that will dedicate two consultants to the project for a total period of 12 weeks.

**The Commission staff estimates that should respondent clearing agencies decide to hire external consultants to provide for the annual model validation required under Rule 17Ad-22(b)(4) through written policies and procedures, the aggregate ongoing cost associated with hiring such consultants will be approximately \$3,888,000 per year.**<sup>276</sup>

<sup>276</sup> This figure was calculated as follows: 2 Consultants for 30 hours per week at \$600 per hour = \$36,000 per week x 12 weeks = \$432,000 per respondent clearing agency x 9 respondents = \$3,888,000. The \$600 per hour figure for a Consultant was calculated using [www.payscale.com](http://www.payscale.com), modified by Commission staff to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead.

Requirements in Rule 17Ad-22(c)(2) that Impose Costs on Registered Clearing Agencies

Rule 17Ad-22(c)(2) requires each registered clearing agency to post on its website annual audited financial statements. To satisfy this requirement, respondent clearing agencies will need to use the services of a registered public accounting firm. The Commission staff estimates that such services will on average cost approximately \$500,000 each year.<sup>277</sup> **Accordingly, to meet the ongoing requirements of Rule 17Ad-22(c)(2), the Commission staff estimates a total annual cost of approximately \$5,000,000 in the aggregate for all respondent clearing agencies.**<sup>278</sup>

Requirements in Rule 17Ad-22(e) that Impose Costs on Covered Clearing Agencies

Rules 17Ad-22(e)(4) and (e)(7) include requirements for covered clearing agencies to have policies and procedures reasonably designed to test and validate models related to measuring financial risks. Based on its supervisory experience and discussions with industry participants, the Commission staff believes that covered clearing agencies may choose to hire external consultants for the purpose of performing the ongoing model validation required under Rules 17Ad-22(e)(4) and (e)(7). If each respondent clearing agency chose to hire external consultants, the Commission staff estimates that the ongoing cost associated with hiring such consultants is \$322,080 per respondent.<sup>279</sup> **The total estimated industry-wide cost burden associated with Rules 17Ad-22(e)(4) and (e)(7) would therefore be \$2,576,640 per rule.**<sup>280</sup>

**In sum, the total aggregate cost to all respondents under Rules 17Ad-22(b)(4), (c)(2), (e)(4), and (e)(7) is approximately \$14,041,280,<sup>281</sup> as reflected in the table below.**

Table of Costs for Rule 17Ad-22 (costs in thousands of dollars)

The table below summarizes the Commission staff's estimates for the ongoing external costs imposed on respondent clearing agencies by Rules 17Ad-22(b)(4), (c)(2), (e)(4), and (e)(7). The cost estimates included in the prospective PRA extension are unchanged from those

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<sup>277</sup> A precise estimate of audit costs for clearing agencies cannot be made and, therefore, the Commission staff examined a number of existing surveys (e.g., surveys by CFO.com studying large and small public companies). While the costs may vary depending on the circumstances, the Commission staff is using an estimate of \$500,000, which is on the upper range for an average cost.

<sup>278</sup> This figure was calculated as follows: \$500,000 estimated cost of registered public accounting firm x 10 respondents = \$5,000,000.

<sup>279</sup> This figure was calculated as follows: 2 Consultants for 40 hours per week at \$671 per hour = \$53,680 per week x 12 weeks = \$644,160 per respondent clearing agency ÷ 2 (Rules 17Ad-22(e)(4) and (e)(7)) = \$322,080. The \$671 per hour figure for a Consultant was calculated using [www.payscale.com](http://www.payscale.com), modified by Commission staff to account for an 1800-hour work year and multiplied by 5.35 to account for bonuses, firm size, employee benefits, and overhead. In order to estimate a PRA cost on a per-rule basis, the Commission staff has divided the total cost for Rules 17Ad-22(e)(4) and (e)(7) evenly between the two rules.

<sup>280</sup> This figure was calculated as follows: \$322,080 annual cost per respondent x 8 respondents = \$2,576,640.

<sup>281</sup> This figure was calculated as follows: \$3,888,000 (total annual cost for Rule 17Ad-22(b)(4)) + \$5,000,000 (total annual cost for Rule 17Ad-22(c)(2)) + \$2,576,640 (total annual cost for Rule 17Ad-22(e)(4)) + \$2,576,640 (total annual cost for Rule 17Ad-22(e)(7)) = \$14,041,280.

provided in the PRA analysis that was submitted in connection with the 2020 Adopting Release and partial revision.

IC	Name of Information Collection	Type of Burden	Number of Entities Impacted	Number of Annual Responses Per Entity	Initial Cost Per Entity Per Response	Annualized Initial Cost Per Entity Per Response	Ongoing Cost Per Entity Per Response	Total Annual Cost Per Entity	Total Annual Industry Cost
2	17Ad-22(b)(4)	Recordkeeping	9	1	0	0	432	432	3,888
5	17Ad-22(c)(2)	Third-Party Reporting	9	1	0	0	500	500	4,500
6	17Ad-22(c)(2) (RNR)	Third-Party Reporting	1	1	0	0	500	500	500
	Subtotal		10						5,000
14	17Ad-22(e)(4)	Recordkeeping	7	1	0	0	322.08	322.08	2,254.56
15	17Ad-22(e)(4) (RNR)	Recordkeeping	1	1	0	0	322.08	322.08	322.08
	Subtotal		8						2,576.64
20	17Ad-22(e)(7)	Recordkeeping	7	1	0	0	322.08	322.08	2,254.56
21	17Ad-22(e)(7) (RNR)	Recordkeeping	1	1	0	0	322.08	322.08	322.08
	Subtotal		8						2,576.64
<b>Total Aggregate Cost for All Respondents (in thousands of dollars)</b>									<b>14,041.28</b>

#### 14. Costs to Federal Government

Not applicable. No cost to the federal government is anticipated.

#### 15. Changes in Burden

The change in total estimated hour burden from 8,532 hours to 9,428 hours is due to the 2023 Proposing Release to amend Rule 17Ad-22(e)(6).<sup>282</sup> As described more fully above, these proposed changes would impose a new information collection (“IC-53 17Ad-22(e)(6) (Enhanced Margin)”). The proposed changes would impose PRA recordkeeping burdens on respondent covered clearing agencies.

<b>Summary of Changes in Burden Hours</b>				
Name of Information Collection	Annual Industry Burden	Annual Industry Burden Previously Approved	Change in Burden	Reason for Change

<sup>282</sup> See, 2023 Proposing Release, surpa note 26.

17Ad-22(e)(6) (Enhanced Margin)	896	0	896	New IC in connection with 2023 Proposing Release.
<b>TOTAL CHANGE</b>			<b>896</b>	

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

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

**17. Approval to Omit OMB Expiration Date**

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

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

This collection complies with the requirements in 5 CFR 1320.9.

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

This collection does not involve statistical methods.