

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

3235-0751
Extension

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

A. JUSTIFICATION

1. Necessity of Information Collection

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

Accordingly, on September 19, 2019, the Commission adopted amendments to its recordkeeping and reporting rules for broker-dealers as well as new recordkeeping and reporting rules for SBSDs and MSBSPs (the “SBS Recordkeeping Release”).⁴ The SBS Recordkeeping Release adopted Exchange Act Rule 18a-6 (in conjunction with Exchange Act Rule 18a-5) to establish recordkeeping requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs (collectively “SBS Entities”).⁵ Rule 18a-6 is modeled on Exchange Act Rule 17a-4, which applies to broker-dealers, but Rule 18a-6 does not include a parallel requirement for every requirement in Rule 17a-4 because some of the requirements in Rule 17a-4 relate to activities that are not expected or permitted of stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs. In October 2022, the Commission adopted amendments to the electronic recordkeeping requirements for SBS Entities in Rule 18a-6.⁶

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

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

³ See 15 U.S.C. 78o-10(f)(2).

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

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

⁶ See *Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants*, Exchange Act Release No. 34-96034 (Oct. 12, 2022), 87 FR 66412 (Nov. 3, 2022) (“2022 Electronic Recordkeeping Adopting Release”).

The October 2022 amendments to Rule 18a-6(e) added an audit-trail alternative to the current SBS Entity recordkeeping requirements.⁷ The Commission also amended the rule to require the SBS Entity either to include a backup set of records or have other redundancy capabilities that are designed to ensure access to records preserved on an electronic recordkeeping system.⁸ The amendments to Rule 18a-6(e) also establish a requirement that either a designated third party or a designated executive officer of the SBS Entity with access to records maintained and preserved on the SBS Entity’s electronic recordkeeping system execute undertakings to furnish promptly to the Commission and other regulators access to requested records or the requested records themselves.⁹ The amendments to Rule 18a-6(g) also require a SBS Entity to furnish a record and its audit trail (if applicable) preserved on an electronic recordkeeping system pursuant to Rules 18a-6(e), respectively, in a reasonably usable electronic format, if requested by a representative of the Commission.¹⁰ The amendments to Rule 18a-6(f) provide an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.¹¹

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

	Non-model stand-alone SBSBs	Model stand-alone SBSBs	Bank SBSBs	Stand-alone MSBSPs
Records To Be Preserved for a Period of Not Less Than 6 Years				
Trade blotters	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(1)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(1)
General ledger	Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)		Rule 18a-6(a)(1) citing Rule 18a-5(a)(2)
Ledgers for customer and non-customer accounts	Rule 18a-6(a)(1) citing Rule 18a-5(a)(3)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(3)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(2)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(3)
Stock record	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)	Rule 18a-6(a)(2) citing Rule 18a-5(b)(3)	Rule 18a-6(a)(1) citing Rule 18a-5(a)(4)
Records To Be Preserved for a Period of Not Less Than 3 Years				
Memoranda of brokerage orders			Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(4)	
Memoranda of proprietary orders	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(5)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(5)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(5)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(5)
Confirmations	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(6)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(6)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(6)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(6)
Accountholder information	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(7)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(7)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(7)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(7)
Options positions	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(8)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(8)		Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(8)
Trial balances and computation of net capital	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(9)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(9)		Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(9)

⁷ See section II.D. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁸ See section II.E. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

⁹ *Id.*

¹⁰ See section II.G. of the 2022 *Electronic Recordkeeping Adopting Release* (discussing this amendment).

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

	Non-model stand-alone SBSDs	Model stand-alone SBSDs	Bank SBSDs	Stand-alone MSBSPs
Account equity and margin calculations under Rule 18a-3	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(12)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(12)		Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(12)
Possession or control requirements under Rule 18a-4	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(13)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(13)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(9)	
Customer reserve requirements under Rule 18a-4	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(14)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(14)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(10)	
Unverified transactions	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(15)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(15)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(11)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(15)
Political contributions	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(16)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(16)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(12)	
Compliance with business conduct requirements	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(17)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(17)	Rule 18a-6(b)(2)(i) citing Rule 18a-5(b)(13)	Rule 18a-6(b)(1)(i) citing Rule 18a-5(a)(17)
Bank records	Rule 18a-6(b)(1)(ii)	Rule 18a-6(b)(1)(ii)		Rule 18a-6(b)(1)(ii)
Bills	Rule 18a-6(b)(1)(iii)	Rule 18a-6(b)(1)(iii)		Rule 18a-6(b)(1)(iii)
Communications	Rule 18a-6(b)(1)(iv)	Rule 18a-6(b)(1)(iv)	Rule 18a-6(b)(2)(ii)	Rule 18a-6(b)(1)(iv)
Trial balances	Rule 18a-6(b)(1)(v)	Rule 18a-6(b)(1)(v)		Rule 18a-6(b)(1)(v)
Account documents	Rule 18a-6(b)(1)(vi)	Rule 18a-6(b)(1)(vi)	Rule 18a-6(b)(2)(iii)	Rule 18a-6(b)(1)(vi)
Written agreements	Rule 18a-6(b)(1)(vii)	Rule 18a-6(b)(1)(vii)	Rule 18a-6(b)(2)(iv)	Rule 18a-6(b)(1)(vii)
Information supporting financial reports	Rule 18a-6(b)(1)(viii)	Rule 18a-6(b)(1)(viii)	Rule 18a-6(b)(2)(v)	Rule 18a-6(b)(1)(viii)
Rule 15c3-4 risk management records	Rule 18a-6(b)(1)(ix)	Rule 18a-6(b)(1)(ix)		Rule 18a-6(b)(1)(ix)
Credit risk determinations		Rule 18a-6(b)(1)(x)		
Regulation SBSR information	Rule 18a-6(b)(1)(xi)	Rule 18a-6(b)(1)(xi)	Rule 18a-6(b)(2)(vi)	Rule 18a-6(b)(1)(xi)
Records relating to business conduct standards	Rule 18a-6(b)(1)(xii)	Rule 18a-6(b)(1)(xii)	Rule 18a-6(b)(2)(vii)	Rule 18a-6(b)(1)(xii)
Special entity documents	Rule 18a-6(b)(1)(xiii)	Rule 18a-6(b)(1)(xiii)	Rule 18a-6(b)(2)(viii)	Rule 18a-6(b)(1)(xiii)
Associated person's employment application	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)	Rule 18a-6(d)(1)
Regulatory authority reports	Rule 18a-6(d)(2)(i)	Rule 18a-6(d)(2)(i)	Rule 18a-6(d)(2)(ii)	Rule 18a-6(d)(2)(i)
Compliance, supervisory, and procedures manuals	Rule 18a-6(d)(3)(i)	Rule 18a-6(d)(3)(i)	Rule 18a-6(d)(3)(ii)	Rule 18a-6(d)(3)(i)
Risk Mitigation	Rule 18a-6(b)(1)(i), (d)(4) and (d)(5)	Rule 18a-6(b)(1)(i), (d)(4) and (d)(5)	Rule 18a-6(b)(2)(i), (d)(4) and (d)(5)	Rule 18a-6(b)(1)(i), (d)(4) and (d)(5)
Life of the enterprise and of any successor enterprise				
Corporate documents	Rule 18a-6(c)	Rule 18a-6(c)		Rule 18a-6(c)

2. Purpose and Use of the Information Collection

The purpose of requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs to maintain the records specified in Rule 18a-6 is to help ensure that examiners and other representatives of the Commission and other applicable regulatory authorities have access to the information and documents necessary to determine whether these entities are in

compliance with the Commission’s anti-fraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. Without Rule 18a-6, it would be extremely difficult, if not impossible, for the Commission to determine whether stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs that chose not to preserve records were in compliance with these rules. Such a situation would not be in the public interest and would be detrimental to investors and the financial community as a whole.

3. Consideration Given to Improved Information Technology

Rule 18a-6 specifically allows stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs to use electronic storage media to comply with the recordkeeping requirements under the Exchange Act. If such records are stored electronically, they must meet certain requirements set forth in the rule.¹² Because it sets minimum standards for the electronic storage media employed, Rule 18a-6 does not limit stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs to using forms of electronic storage which may become obsolete as new technology is developed. The Commission believes that improvements in telecommunications and data processing technology may reduce any burdens that result from Rule 18a-6. The audit trail alternative in the amended rule is designed to update the requirements in Rule 18a-6 to account for technological advances in recordkeeping technologies.

4. Duplication

Requiring stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs to maintain the records specified in Rule 18a-6, as adopted, does not duplicate requirements of any other rule. Moreover, the Commission has a substantial interest in ensuring that stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs preserve the information required in Rule 18a-6, as adopted, in order to ensure compliance with applicable Commission rules. Additionally, the Commission has provided SBSBs with an alternative method of compliance with certain requirements of Rule 18a-6, as adopted. Specifically, the Commission has adopted Rule 18a-10¹³ which provides an alternative compliance mechanism under which an SBSB that is also registered as a swap dealer with the CFTC may comply with relevant recordkeeping requirements of the Commodity Exchange Act and the rules promulgated thereunder in lieu of complying with the recordkeeping requirements of Rule 18a-6, as amended, provided that certain requirements are met.

5. Effects on Small Entities

Currently none of the SBS Entities registered with the Commission are “small entities”, and based on feedback from industry participants about the security-based swap market, it is unlikely that any other entities that will register with the Commission in the future as SBSBs or

¹² See paragraph (e)(2) of Rule 18a-6, as adopted.

¹³ 17 CFR 240.18a-10.

MSBSPs will be “small entities.”¹⁴ Thus, it is unlikely that the requirements under Rule 18a-6 will affect small entities.

6. Consequences of Not Conducting Collection

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

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

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

8. Consultations Outside the Agency

The Commission requested comment on the partial revision to the collection of information requirements when the amendments were adopted in October 2022.¹⁵ The Commission received no comments regarding the Paperwork Reduction Act burden and cost estimates.

The Commission, however, received comment that affected the scope of the rulemaking in a way that affected the information collection burden and costs. Specifically, commenters expressed concerns with replacing the third-party undertakings requirement with the senior officer undertakings requirement.¹⁶ In response to the comments, the final amendments to Rule 18a-6(e) require an SBS Entity to designate either an executive officer of the firm (“Designated

¹⁴ Section 601(b) of the Regulatory Flexibility Act (“RFA”) defines the term “*small entity*.” The statute, however, permits agencies to formulate their own definitions. The Commission has adopted definitions for the term “small entity” for the purposes of Commission rulemaking in accordance with the RFA. Those definitions, as relevant to this rulemaking, are set forth in 17 CFR 240.0-10. *See Statement of Management on Internal Accounting Control*, Exchange Act Release No. 18451 (Jan. 28, 1982), 47 FR 5215 (Feb. 4, 1982).

¹⁵ *See 2022 Electronic Recordkeeping Adopting Release*.

¹⁶ *See* letter from Douglas Weeden, Managing Director, 17a-4, LLC, Jan. 3, 2022; letter from John Trotti, NCC Group, Dec. 29, 2021; Letter from Adam Schaub, Vice President, RegEd, Jan. 3, 2022.

Executive Officer”) or an unaffiliated third-party (“Designated Third Party”) to make the required undertakings.

Other commenters stated that cloud service providers do not have the ability to make the traditional undertaking required by Rule 18a-6(f).¹⁷ The commenters have pointed out a significant difference in how traditional records custodians maintain records for their clients compared to how cloud service providers maintain records for their clients. In light of the comments and the emerging use of cloud service providers by broker-dealers, the Commission adopted amendments to Rule 18a-6(f) to permit a cloud service provider to make an alternative undertaking that is tailored to how cloud service providers maintain records for SBS Entities in lieu of the traditional undertaking.

The Commission also requested comment on the partial revision to the 18a-6 collection of information requirements regarding risk mitigation techniques.¹⁸ The Commission received no comments regarding the Paperwork Reduction Act burden and cost estimates.¹⁹

9. Payment or Gift

No payment or gift is provided to respondents.

10. Confidentiality

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

11. Sensitive Questions

The information collection does not collect information about personally identifiable information. The agency has determined that a PIA, SORN and PAS are not required.

12. Burden of Information Collection

Rule 18a-6 described in the SBS Recordkeeping Release establishes recordkeeping requirements applicable to stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank

¹⁷ See Letter from Blair Anderson, Director, AWS, Jan. 3, 2022; letter from Eversheds Sutherland (US) LLP on behalf of Committee of Annuity Insurers, Jan. 5, 2022; letter from Alexander Gavis, Senior Vice President & Deputy General Counsel, Fidelity Investments, Dec. 31, 2021; letter from Dave T. Bellaire, Esq., Executive Vice President & General Counsel, Financial Services Institute, Jan 3, 2022; and letter from Melissa MacGregor, Managing Director and Associate General Counsel, SIFMA, Dec. 22, 2021.

¹⁸ See *Risk Mitigation Techniques for Uncleared Security-Based Swaps*, Exchange Act Release No. 34-84861 (Dec. 19, 2018), 84 FR 4614, 4639 (Feb. 15, 2019) (“*Risk Mitigation Proposing Release*”).

¹⁹ See *Risk Mitigation Adopting Release*, 85 FR at 6381.

MSBSPs.²⁰ For the purposes of this PRA analysis, the Commission estimates that there are 11 stand-alone SBSBs, 29 bank SBSBs, no MSBSPs, and no Bank MSBSPs. These estimates are based on a review of the number of SBSBs and MSBSPs registered with the Commission as December 31, 2023. The rule is expected to impose a one-time initial burden and an additional ongoing burden on the industry, although actual recordkeeping requirements are expected to vary depending on the size and complexity of the firm.

Stand-Alone SBSBs and Stand-Alone MSBSPs: Rule 18a-6 requires 27 types of records to be preserved by stand-alone SBSBs and stand-alone MSBSPs.²¹ Rule 18a-6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to provide adequate physical space and computer hardware and software for storage, preserve these records for the requisite time period, and produce them when requested.²² The Commission estimates that the record preservation requirements applicable to stand-alone SBSBs and stand-alone MSBSPs impose an initial burden of 364 hours and an ongoing annual burden of 280 hours per firm (including the first year). The Commission estimates that there are 11 respondents (11 stand-alone SBSBs and no stand-alone MSBSPs), resulting in an estimated industry-wide initial burden of 4,004 hours,²³ and an industry-wide ongoing annual burden of 3,080

²⁰ See *Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers; Final Rules*, Exchange Act Release No. 87005 (Sept. 19, 2019), 84 FR 68550 (Dec. 16, 2019).

²¹ See Rule 18a-6 (paragraph (a)(1), cross-referencing paragraph (a)(1) of Rule 18a-5 (trade blotters); paragraph (a)(1), cross-referencing paragraph (a)(2) of Rule 18a-5 (general ledgers); paragraph (a)(1), cross-referencing paragraph (a)(3) of Rule 18a-5 (ledgers of customer and non-customer accounts); paragraph (a)(1), cross-referencing paragraph (a)(4) of Rule 18a-5 (stock record); paragraph (a)(1), cross-referencing paragraph (a)(5) of Rule 18a-5 (memoranda of proprietary orders); paragraph (a)(1), cross-referencing paragraph (a)(6) of Rule 18a-5 (confirmations); paragraph (a)(1), cross-referencing paragraph (a)(7) of Rule 18a-5 (account holder information); paragraph (a)(1), cross-referencing paragraph (a)(8) of Rule 18a-5 (options positions); paragraph (a)(1), cross-referencing paragraph (a)(9) of Rule 18a-5 (trial balances and computation of net capital); paragraph (a)(1), cross-referencing paragraph (a)(12) of Rule 18a-5 (Rule 18a-3 calculations); paragraph (a)(1), cross-referencing paragraph (a)(15) of Rule 18a-5 (unverified transactions); paragraph (a)(1), cross-referencing paragraph (a)(17) of Rule 18a-5 (compliance with business conduct standards); paragraph (b)(1)(ii) (bank records); paragraph (b)(1)(iii) (bills); paragraph (b)(1)(iv) (communications); paragraph (b)(1)(v) (trial balances); paragraph (b)(1)(vi) (account documents); paragraph (b)(1)(vii) (written agreements); paragraph (b)(1)(viii) (information supporting financial reports); paragraph (b)(1)(ix) (Rule 15c3-4 risk management records); paragraph (b)(1)(xi) (Regulation SBSR information); paragraph (b)(1)(xii) (records relating to business conduct standards); paragraph (b)(1)(xiii) (special entity documents); paragraph (c) (corporate documents); paragraph (d)(1) (associated person's employment application); paragraph (d)(2)(i) (regulatory authority reports); and paragraph (d)(3)(i) (compliance, supervisory, and procedures manuals)).

²² Entities that would register as stand-alone SBSBs and stand-alone MSBSPs likely make and keep some records today as a matter of routine business practice, but which records such entities make is not available to the Commission. Therefore, the PRA burden estimate for these entities is based on the assumption that they currently keep no records.

²³ 364 hours x 11 stand-alone SBSBs = 4,004 hours.

hours (including the first year).²⁴ Over a three-year period, **the total estimated industry burden is 13,244,²⁵ or 4,415 hours when annualized.²⁶**

Stand-Alone SBSDs: Rule 18a–6 requires three types of records to be preserved by stand-alone SBSDs.²⁷ Because the burden to create these records is accounted for in the PRA estimate for Rule 18a–5, the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that the relevant portions of paragraph (b)(1)(i) of Rule 18a–6 impose an initial burden of 44 hours per firm, and an ongoing annual burden of 30 hours per firm (including the first year). The Commission estimates that there are 11 stand-alone SBSDs, resulting in an industry-wide initial burden of 484 hours²⁸ and an industry-wide ongoing annual burden of 330 hours (including the first year).²⁹ Over a three-year period, **the total estimated industry burden is 1,474 hours,³⁰ or 491 hours when annualized.³¹**

Model Stand-Alone SBSDs: Rule 18a–6 requires records relating to credit risk determinations to be preserved by stand-alone SBSDs authorized to use models.³² Because the burden of actually performing the underlying task and creating the written record is already accounted for in the PRA estimate for Rule 18a–1, the burden is the requirement to preserve these records for at least three years. The Commission estimates that paragraph (b)(1)(x) imposes an initial burden of 18 hours and an ongoing annual burden of 10 hours per stand-alone SBSD authorized to use models (including the first year). While there are currently no stand-alone SBSDs authorized to use models, the Commission estimates that two stand-alone SBSDs could apply to use models, resulting in an industry-wide initial burden of 36 hours³³ and an industry-wide ongoing annual burden of 20 hours (including the first year).³⁴ Over a three-year period, **the total estimated industry burden is 96 hours,³⁵ or 32 hours when annualized.³⁶**

²⁴ 280 hours x 11 stand-alone SBSDs = 3,080 hours.

²⁵ (4,004 hours + 3,080 hours) + 3,080 hours + 3,080 hours = 13,244 hours.

²⁶ 13,244 hours / 3 years = 4415 (rounded up from 4,414.67) hours per year.

²⁷ See paragraph (b)(1)(i) of Rule 18a–6 (cross-referencing paragraph (a)(13) of Rule 18a-5 (compliance with Rule 18a–4 possession or control requirements); paragraph (a)(14) of Rule 18a–5 (Rule 18a–4 reserve account computations); and paragraph (a)(16) of Rule 18a–5 (political contributions)).

²⁸ 44 hours x 11 stand-alone SBSDs = 484 hours.

²⁹ 30 hours x 11 stand-alone SBSDs = 330 hours.

³⁰ (484 hours + 330 hours) + 330 hours + 330 hours = 1,474 hours.

³¹ 1,474 hours / 3 years = 491.33 hours per year.

³² See Rule 18a–6 (paragraph (b)(1)(x) (credit risk determinations)).

³³ 18 hours x 2 stand-alone SBSDs authorized to use models = 36 hours.

³⁴ 10 hours x 2 stand-alone SBSDs authorized to use models = 20 hours.

³⁵ (36 hours + 20 hours) + 20 hours + 20 hours = 96 hours.

³⁶ 96 hours / 3 years = 32 hours per year.

Bank SBSDs and Bank MSBSPs: Rule 18a–6 requires 18 types of records to be preserved by bank SBSDs and bank MSBSPs, all of which are limited to the firm’s business as an SBSD or MSBSP.³⁷ Rule 18a–6 does not require the firm to create these records or perform the underlying task, so the burdens imposed by these requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. Therefore, after consideration of the similar burdens imposed by Rule 17a–4, as amended, the Commission estimates that Rule 18a–6 imposes on bank SBSDs and bank MSBSPs an initial burden of 247 hours per firm and an ongoing burden of 190 hours per firm (including the first year). The Commission estimates that there are 29 respondents (29 bank SBSDs and no bank MSBSPs), resulting in an estimated industry-wide initial burden of 7,163 hours³⁸ and an industry-wide ongoing annual burden of 5,510 hours (including the first year).³⁹ Over a three-year period, **the total estimated industry burden is 23,693 hours, 40 or 7,898 hours when annualized.**⁴¹

Bank SBSDs: Rule 18a–6 requires four types of records to be preserved by bank SBSDs, all of which are limited to the firm’s business as an SBSD.⁴² Because the burden to perform the underlying task or create these records is accounted for in the PRA estimates for Rule 18a–4 and Rule 18a–5, the burdens imposed by these new requirements are to ensure there is adequate physical space and computer hardware and software for storage, ensure these records are preserved for the requisite time period, and produce them when requested. The Commission estimates that paragraphs (b)(2)(i) and (b)(2)(v) of Rule 18a–6 impose an initial burden of 57 hours per firm and an ongoing annual burden of 40 hours per firm. The Commission estimates

³⁷ See Rule 18a–6 (paragraph (a)(2), cross-referencing paragraph (b)(1) of Rule 18a–5 (trade blotters); paragraph (a)(2), cross-referencing paragraph (b)(2) of Rule 18a–5 (ledgers of security-based swap customers and non-customers); paragraph (a)(2), cross-referencing paragraph (b)(3) of Rule 18a–5 (stock records); paragraph (b)(2)(i), cross-referencing paragraph (b)(4) of Rule 18a–5 (memoranda of brokerage orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(5) of Rule 18a–5 (memoranda of proprietary orders); paragraph (b)(2)(i), cross-referencing paragraph (b)(6) of Rule 18a–5 (confirmations); paragraph (b)(2)(i), cross-referencing paragraph (b)(7) of Rule 18a–5 (accountholder information); paragraph (b)(2)(i), cross-referencing paragraph (b)(11) of Rule 18a–5 (unverified transactions); paragraph (b)(2)(i), cross-referencing paragraph (b)(13) of Rule 18a–5 (compliance with business conduct requirements); paragraph (b)(2)(ii) (communications); paragraph (b)(2)(iii) (account documents); paragraph (b)(2)(iv) (written agreements); paragraph (b)(2)(vi) (Regulation SBSR information); paragraph (b)(2)(vii) (records relating to business conduct standards); paragraph (b)(2)(viii) (special entity documents); paragraph (d)(1) (associated person’s employment application); paragraph (d)(2)(ii) (regulatory authority reports); paragraph (d)(3)(ii) (compliance, supervisory, and procedures manuals)).

³⁸ 247 hours x 29 bank SBSDs = 7,163 hours.

³⁹ 190 hours x 29 bank SBSDs = 5,510 hours.

⁴⁰ (7,163 hours + 5,510 hours) + 5,510 hours + 5,510 hours = 23,693 hours.

⁴¹ 23,693 hours / 3 years = 7898 (rounded up from 7,897.67) hours per year.

⁴² See Rule 18a–6 (paragraph (b)(2)(i), cross-referencing paragraph (b)(9) (compliance with Rule 18a–4 possession or control requirements) of Rule 18a–5; paragraph (b)(2)(i), cross-referencing paragraph (b)(10) (Rule 18a–4 reserve account computations) of Rule 18a–5; paragraph (b)(2)(i), cross-referencing paragraph (b)(12) (political contributions) of Rule 18a–5; and paragraph (b)(2)(v) (Rule 18a–4 reserve account computations)).

that there are 29 bank SBSBs, resulting in an industry-wide initial burden of 1,653 hours⁴³ and an industry-wide ongoing annual burden of 1,160 hours.⁴⁴ Over a three-year period, **the total estimated industry burden is 5,133 hours, ⁴⁵ or 1,711 hours when annualized.**⁴⁶

Third-Party Custodians: Paragraph (f) of Rule 18a–6 requires third-party custodians for non-broker-dealer SBSBs and non-broker-dealer MSBSPs to file with the Commission a written undertaking and surrender the SBSB or MSBSP’s records upon the Commission’s request.⁴⁷ The obligation to provide documents upon the Commission’s request does not impose a new burden, since this requirement merely changes the respondent’s identity rather than adding to the quantity of burdens. Thus, the burden is the requirement is to prepare and file a written undertaking. The Commission estimates that 50% of the 11 non-broker-dealer SBSBs and retain a third-party custodian, resulting in 6 written undertakings (rounded up). The Commission estimates paragraph (f) of Rule 18a–6 imposes an ongoing annual burden of two hours per written undertaking, **resulting in an industry-wide ongoing burden of 12 hours per year.**⁴⁸

Rule 18a-6(e) – Third Party or Designated Executive Officer Undertaking:

Paragraph (e) of Rule 18a-6, as amended, requires that either a designated third-party or a designated officer of an SBS entity with access to records maintained and preserved on the SBS Entity’s electronic recordkeeping system execute undertakings to furnish promptly to the Commission and other regulators access to requested records or the requested records themselves.⁴⁹

The Commission estimates that the establishment of a designated third party or designated executive officer undertakings requirement for the 11 SBSBs subject to the rule will result in an annual burden of one hour per firm, for a total **industry-wide burden of 11 hours.**⁵⁰

Alternative undertaking – SBS Entities and Cloud Service Providers

Rule 18a-6, as amended, provides for an alternative electronic recordkeeper to be designated by an SBS entity’s designated executive officer.⁵¹ The Commission estimates that 6 SBSBs will complete the alternative electronic recordkeeper undertaking and that this will result in a burden of one hour per dealer for an **industry-wide burden of 6 hours per year.**⁵²

⁴³ 57 hours x 29 bank SBSBs = 1,653 hours.

⁴⁴ 40 hours x 29 bank SBSBs = 1,160 hours.

⁴⁵ (1,653 hours + 1,160 hours) + 1,160 hours + 1,160 hours = 5,133 hours.

⁴⁶ 5,133 hours / 3 years = 1,711 hours per year.

⁴⁷ See paragraph (f) of Rule 18a–6, as adopted.

⁴⁸ 2 hours × 6 written undertakings = 12 hours per year.

⁴⁹ See Rule 18a-6(e)(3)(v), as amended.

⁵⁰ One-time initial reporting burden for 11 SBSBs (1 hour x 11 SBSBs) = 11 hours.

⁵¹ See Rule 18a-6(e)(3)(v)(B).

⁵² Burden for six SBSBs: (1 hour x 6 SBSBs) = 6 hours.

Alternative undertaking – SBS Entities and Cloud Service Providers

The amendments to Rule 18a-6(f) provide an alternative undertaking for certain third-party electronic recordkeeping service providers, in particular cloud service providers.⁵³ The Commission estimates that the need for five cloud service providers to review and execute the Alternative Undertaking will result in **a burden of 1 hour per provider, for a total of 5 hours.**⁵⁴

Rule 18a-6 Risk Mitigation Techniques - Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4) and (d)(5) - SBS Entities:

Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4), and (d)(5) account for the security-based swap risk mitigation activities of SBS Entities, by, among other things, requiring the preserving of any required records regarding portfolio reconciliation (Rule 15Fi-3(a) and (b)), bilateral offsets (Rule 15Fi-4(a)(1)), bilateral or multilateral portfolio compression (Rule 15Fi-4(b) and (c)), valuation disputes (Rule 15Fi-3(c)), and written trading relationship documentation (Rule 15Fi-5). Rule 18a-6 does not require the firm to create these records or perform the underlying task required by the Rule. Rather, the burden to create these records and perform the underlying task is accounted for in Rule 15Fi-3 – 15Fi-5.⁵⁵ Accordingly, the burdens imposed by the requirements in 18a-6 are to ensure these records related to risk mitigation are preserved for the requisite time period and produced when requested.

The Commission estimates that these recordkeeping requirements will impose an initial burden of 60 hours per firm for updating the applicable policies and systems required to account for capturing the additional records made pursuant to Rule 15Fi-3 through 15Fi-5, and an ongoing annual burden of 75 hours per firm for maintaining such records as well as to make additional updates to the applicable recordkeeping policies and systems to account for the new rules. The Commission estimates that there are 11 SBSs, for a total average initial annual burden for all respondents of 660 hours⁵⁶ and a total ongoing average annual burden of 825 hours.⁵⁷ Over a three-year period, **the total estimated industry burden is 3,135 hours,⁵⁸ or 1,045 hours when annualized.**⁵⁹

Total Industry Hour Burden: Thus, the total initial industry hour burden attributable to Rule 18a-6 is estimated to be 14,000 hours in the first year⁶⁰ and the total industry ongoing hour

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

⁵⁴ Reporting burden for five cloud service providers: (1 hour x five cloud service providers) = 5 hours.

⁵⁵ See 17 CFR 240.15Fi-3 and 15fi-5.

⁵⁶ One-time initial reporting burden for 11 SBS Entities (60 hours x 11 SBSs) = 660 hours.

⁵⁷ 75 hours x 11 SBS Entities = 825 hours.

⁵⁸ (660 hours + 825 hours) + 825 hours + 825 hours = 3,135 hours.

⁵⁹ 3,135 hours / 3 years = 1,045 hours per year.

⁶⁰ 4,004 hours + 484 hours + 36 hours + 7,163 hours + 1,653 hours = 14,000 hours.

burden attributable to Rule 18a-6, as adopted, is estimated to be 10,959 hours per year.⁶¹ **The total annualized burden is estimated to be 15,626 hours.**⁶² These burdens are recordkeeping and reporting burdens.

Summary of Hourly Burdens										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Burden per Entity per Response	Initial Burden Annualized per Entity per Response	Ongoing Burden per Entity per Response	Annual Burden Per Entity per Response	Total Annual Burden Per Entity	Total Industry Burden	Small Business Entities Affected
					[C * 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSBs and stand-alone MSBsPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	11	1	364.00	121.33	280.00	401.33	401.33	4,415	0
Stand-alone SBSBs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	11	1	44.00	14.67	30.00	44.67	44.67	491	0
Model stand-alone SBSBs: Paragraph (b)(1)(x)	Recordkeeping	2	1	18.00	6.00	10.00	16.00	16.00	32	0
Bank SBSBs and bank MSBsPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1),(d)(2)(ii), (d)(3)(ii)	Recordkeeping	29	1	247.00	82.33	190.00	272.33	272.33	7,898	0
Bank SBSBs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	29	1	57.00	19.00	40.00	59.00	59.00	1,711	0
Third-Party Custodians	Recordkeeping	6	1	0.00	0.00	2.00	2.00	2.00	12	0
Rule 18a-6(e) – Third Party or Designated Executive Officer Undertaking amendment	Recordkeeping	11	1	0.00	0.00	1.00	1.00	1.00	11	0
Alternative undertaking – SBS Entities	Recordkeeping	6	1	0.00	0.00	1.00	1.00	1.00	6	0
Alternative undertaking – Cloud Service Providers	Reporting	5	1	0.00	0.00	1.00	1.00	1.00	5	0
Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4) and (d)(5) SBS Entities:	Recordkeeping	11	1	60.00	20.00	75.00	95.00	95.00	1,045	0
TOTAL ANNUAL HOURLY BURDEN FOR ALL RESPONDENTS									15,626	

⁶¹ 3,080 hours + 330 hours + 20 hours + 5,510 hours + 1,160 hours + 12 hours + 11 hours + 12 hours + 6 hours + 5 hours + 825 hours = 10,959 hours.

⁶² 4,414.67 hours + 491.33 hours + 32 hours + 7,89.67 hours + 1,711 hours + 12 hours + 11 hours + 6 hours + 5 hours + 1,045 hours = 15,626 (rounded up from 15,625.67) hours.

13. Costs to Respondents

The following chart summarizes the estimated costs for this collection. A description of each cost follows the chart:

Summary of Dollar Costs										
Name of Information Collection	Type of Burden	A. Number of Entities Impacted	B. Annual Responses per Entity	C. Initial Cost per Entity per Response	D. Initial Cost Annualized per Entity per Response	E. Ongoing Cost per Entity per Response Annual	F. Annual Cost Per Entity per Response	G. Total Annual Cost Per Entity	Total Annual Industry Cost	Small Business Entities Affected
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Stand-alone SBSs and stand-alone MSBSs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	Recordkeeping	11	1	\$0.00	\$0.00	\$5,720.00	\$5,720.00	\$5,720.00	\$62,920.00	0
Stand-alone SBSs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	Recordkeeping	11	1	\$0.00	\$0.00	\$360.00	\$360.00	\$360.00	\$3,960.00	0
Model stand-alone SBSs: Paragraph (b)(1)(x)	Recordkeeping	2	1	\$0.00	\$0.00	\$120.00	\$120.00	\$120.00	\$240.00	0
Bank SBSs and bank MSBSs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1), (d)(2)(ii), (d)(3)(ii)	Recordkeeping	29	1	\$0.00	\$0.00	\$4,520.00	\$4,520.00	\$4,520.00	\$131,080.00	0
Bank SBSs: Paragraph (b)(2)(i) and (b)(2)(v)	Recordkeeping	29	1	\$0.00	\$0.00	\$480.00	\$480.00	\$480.00	\$13,920.00	0
Rule 18a-6(e) – Audit trail alternative to WORM for SBS Entities	Recordkeeping	2	1	\$1,000,000	\$333,333.33	\$120,000.00	\$453,333.33	\$453,333.33	\$906,667.00	0
Rule 18a-6(e) – Backup Recordkeeping Systems for SBSs	Recordkeeping	2	1	\$250,000	\$83,333.33	\$30,000.00	\$113,333.33	\$113,333.33	\$226,667.00	0
Rule 18a-6(e) – Third party or Designated Executive Officer Undertaking	Recordkeeping	11	1	\$497.00	\$165.67	\$0.00	\$165.67	\$165.67	\$1,822.00	0
Alternative undertaking – SBS Entities	Recordkeeping	6	1	\$497.00	\$165.67	\$0.00	\$165.67	\$165.67	\$994.00	0
Alternative undertaking – Cloud Service Providers	Reporting	5	1	\$497.00	\$165.67	\$0.00	\$165.67	\$165.67	\$828.00	0
TOTAL DOLLAR COST FOR ALL RESPONDENTS									\$1,349,098	

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

Stand-Alone SBSDs and Stand-Alone MSBSPs: The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$5,720 per stand-alone SBSd or stand-alone MSBSP. The Commission estimates that there are 11 respondents (11 stand-alone SBSDs and zero stand-alone MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$62,920 per year.**⁶³

Stand-Alone SBSDs: The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$360 per stand-alone SBSd. The Commission estimates that there are 11 respondents, resulting in an **estimated industry-wide ongoing annual cost of \$3,960 per year.**⁶⁴

Model Stand-Alone SBSDs: The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$120 per stand-alone SBSd authorized to use models. The Commission estimates that there are two respondents, resulting in an **estimated industry-wide ongoing annual cost of \$240 per year.**⁶⁵

Bank SBSDs and Bank MSBSPs: The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$4,520 per bank SBSd or bank MSBSP. The Commission estimates that there are 25 respondents (25 bank SBSDs and no bank MSBSPs), resulting in an **estimated industry-wide ongoing annual cost of \$131,080 per year.**⁶⁶

Bank SBSDs: The Commission estimates that Rule 18a-6 imposes an ongoing annual cost of approximately \$480 per bank SBSd. The Commission estimates that there are 25 respondents, resulting in an **estimated industry-wide ongoing annual cost of \$13,920 per year.**⁶⁷

Rule 18a-6(e) – Audit trail alternative to WORM for SBS Entities

the Commission estimates that the initial cost to build and implement an electronic recordkeeping system that meets the audit-trail requirement for an SBS Entity is \$1,000,000 (\$333,333 of annualized initial cost), with an additional cost of \$120,000 annually to maintain the system. The Commission estimates that there are 2 SBS Entities registered with the Commission that will be subject to paragraph (e)(2) of Rule 18a-6. Consequently, the Commission estimates that the industry-wide costs for these firms will be \$500,000 in initial costs (\$166,667 of annualized initial cost) and \$60,000 in annual costs. Over a three-year period, **the total estimated industry cost is \$2,720,000,⁶⁸ or \$906,667 when annualized.⁶⁹**

⁶³ \$5,720 per firm x 11 stand-alone SBSDs = \$62,920 per year.

⁶⁴ \$360 per firm x 11 stand-alone SBSDs = \$3,960 per year.

⁶⁵ \$120 per firm x 2 stand-alone SBSDs authorized to use models = \$240 per year.

⁶⁶ \$4,520 per firm x 29 bank SBSDs and bank MSBSPs = \$131,080 per year.

⁶⁷ \$480 per firm x 29 bank SBSDs = \$13,920 per year.

⁶⁸ (\$2,000,000 + \$240,000) + \$240,000 + \$240,000 = \$2,720,000.

⁶⁹ \$2,720,000 / 3 years = \$906,667 (rounded up from \$906,666.67).

Rule 18a-6(e) – Backup Recordkeeping Systems for SBSDs

The Commission estimates that the costs for 2 SBS Entities that the Commission estimates will be subject to paragraph (e)(2) of Rule 18a-6 will be \$250,000 in initial costs (\$83,333 of annualized initial cost) and \$30,000 in annual costs. Consequently, the Commission estimates that the industry-wide costs and burdens for these firms will be \$500,000 in initial costs (\$166,667 of annualized initial cost) and \$60,000 in annual costs. Over a three-year period, **the total estimated industry cost is \$680,000,⁷⁰ or \$226,667 when annualized.⁷¹**

Rule 18a-6(e) – Third party or Designated Executive Officer Undertaking

Rule 18a-6 requires that either a Designated Third Party or a Designated Executive Officer complete the access and undertakings. The Commission estimates that the senior officer or third-party undertakings requirement for SBS Entities will result in a one-time initial cost of \$497 for each SBS Entity under Rule 18a-6(e).⁷² The Commission estimates that 11 SBSDs will be subject to the Designated Third Party or Designated Executive Officer undertakings requirement. The Commission estimates that the total industry cost will be \$5,467 for SBS Entities, collectively,⁷³ resulting in an **estimated industry-wide annual cost of \$1,822 per year.⁷⁴**

Alternative undertaking – SBS Entities

The Commission estimates that 6 SBSDs will be subject to the alternative electronic recordkeeper undertakings requirement. The Commission estimates that the total industry cost will be \$2,982 for SBS Entities, collectively,⁷⁵ resulting in an **estimated industry-wide annualized cost of \$994 per year.⁷⁶**

Alternative undertaking – Cloud Service Providers

The Commission estimates that the need for the five cloud service providers to review and execute the Alternative Undertaking will result in a one-time initial cost of \$2,485,⁷⁷ resulting in an **estimated industry-wide annualized cost of \$828.⁷⁸**

⁷⁰ $(\$500,000 + \$60,000) + \$60,000 + \$60,000 = \$680,000$.

⁷¹ $\$680,000 / 3 \text{ years} = \$226,667$ (rounded up from \$226,666.67).

⁷² $19 \text{ hours} \times \$497 \text{ per hour (at the controller hourly rate)} = \$9,443$.

⁷³ $11 \text{ SBSDs} \times 1 \text{ hour per entity} \times \$497 \text{ per hour (at the controller hourly rate)} = \$5,467$.

⁷⁴ $\$5,467 / 3 \text{ years} = \$1,822$ (rounded up from \$1,822.33).

⁷⁵ $6 \text{ SBSDs} \times 1 \text{ hour per entity} \times \$497 \text{ per hour (at the controller hourly rate)} = \$2,982$.

⁷⁶ $\$2,982 / 3 \text{ years} = \994 .

⁷⁷ One-time initial reporting cost for five cloud service providers: $(2 \text{ hours} \times \text{five cloud service providers}) \times \$497 \text{ per hour (at the controller hourly rate)} = \$2,485$.

⁷⁸ $\$2,485 / 3 \text{ years} = \828 (rounded up from \$828.33).

Total Industry Costs Burden: Therefore, the total cost of Rule 18a-6 is **estimated to be \$1,349,098 per year.**⁷⁹

14. Cost to Federal Government

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

15. Changes in Burden

The total hourly annual burden associated with Rule 18a-6 has decreased slightly as a result of changes in the number of respondents estimated to be subject to the rule. The costs associated with Rule 18a-6 have increased slightly, also as a result of changes to the estimated number of respondents subject to the rule. The changes to each burden or cost are summarized in the tables below.

Name of Information Collection	Summary of Change in Hourly Burden (Annual)			
	Previously Reviewed Burden	New Estimated Burden	Change in Burden	Reason for the Change
Stand-alone SBSBDs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	4013.33 hours	4,414.67 hours	401 hours	Increase in the number of respondents
Stand-alone SBSBDs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	268 hours	491.33 hours	223 hours	Increase in the number of respondents
Model stand-alone SBSBDs: Paragraph (b)(1)(x)	96 hours	32 hours	(64 hours)	Decrease in the number of respondents
Bank SBSBDs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1),(d)(2)(ii), (d)(3)(ii)	6,808.33 hours	7,897.67 hours	1,089 hours	Increase in the number of respondents
Bank SBSBDs: Paragraph (b)(2)(i) and (b)(2)(v)	1,475 hours	1,711 hours	236 hours	Increase in the number of respondents
Third-Party Custodians	35 hours	12 hours	(23 hours)	Decrease in the number of respondents

⁷⁹ \$62,920 + \$3,960 + \$240 + \$131,080 + \$13,920 + \$906,666.67 + \$226,666.67 + \$1,822.33 + \$994.00 + \$828.33 = \$1,349,098 per year.

Rule 18a-6(e) – Third Party or Designated Executive Officer Undertaking amendment	19 hours	11 hours	(8 hours)	Decrease in the number of respondents
Alternative Undertaking - SBS entities	10 hours	6 hours	(4 hours)	Decrease in the number of respondents
Alternative Undertaking – Cloud Service Providers	5 hours	5 hours	0	No change in estimated number of respondents or burden hours
Rule 18a-6(b)(1)(i), (b)(2)(i), (d)(4) and (d)(5) SBS Entities	3,610 hours	1,045 hours	(2,565 hours)	Decrease in the number of respondents

Summary of Change in Cost (Annual)				
Name of Information Collection	Previously Approved Cost	New Estimated Cost	Change in Cost	Reason for the Change
Stand-alone SBSDs and stand-alone MSBSPs: Paragraphs (a)(1), (b)(1)(ii) (b)(1)(ix), (b)(1)(xi) (b)(1)(xiii), (c), (d)(1), (d)(2)(i), and (d)(3)(i)	\$57,200	\$62,920	\$5,720	Increase in the number of respondents
Stand-alone SBSDs: Paragraphs (b)(1)(i), (a)(14), and (a)(16)	\$2,160	\$3,960	\$1,800	Increase in the number of respondents
Model stand-alone SBSDs: Paragraph (b)(1)(x)	\$480	\$240	(\$240)	Decrease in the number of respondents
Bank SBSDs and bank MSBSPs: Paragraphs (a)(2), (b)(2)(i) (b)(2)(iv), (b)(2)(vi)-(viii), (d)(1),(d)(2)(ii), (d)(3)(ii)	\$113,300	\$131,080	\$18,080	Increase in the number of respondents
Bank SBSDs: Paragraph (b)(2)(i) and (b)(2)(v)	\$12,000	\$13,920	\$1,920	Increase in the number of respondents

18a-6(e) - Audit Trail Alternative to WORM	\$906,667	\$906,667	\$0	No change in estimated cost burden
18a-6(e) – Backup or Redundancy Alternative Recordkeeping Systems for SBS Entities	\$226,667	\$226,667	\$0	No change in estimated cost burden
Rule 18a-6(e) – Third party or Designated Executive Officer Undertaking	\$9,443	1,822	(\$7,621)	Decrease in the number of respondents and costs annualized.
Alternative undertaking – SBS Entities	\$4,970	\$994	(3,976)	Decrease in the number of respondents and cost annualized.
Alternative undertaking – Cloud Service Providers	\$2,485	\$828	(\$1657)	Decrease in the number of respondents and cost annualized.

16. Information Collection Planned for Statistical Purposes

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

17. OMB Expiration Date Display Approval

The Commission is not seeking approval to not display the OMB approval expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.