

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for Rule 18a-7
3235-0749

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”), which provides that the Securities and Exchange Commission (the “Commission”) shall adopt rules governing recordkeeping and reporting for security-based swap dealers (“SBSDs”) and major security-based swap participants (“MSBSPs”),² and section 15F(f)(1)(A) provides that SBSDs and MSBSPs shall make such reports as are required by the Commission, by rule or regulation, regarding the transactions and positions and financial condition of the SBSD or MSBSP.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.⁴ More specifically, Exchange Act Rule 18a-7 establishes reporting requirements applicable to stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, and bank MSBSPs.⁵ Rule 18a-7 is modeled on Exchange Act Rule 17a-5, which applies to broker-dealers, but Rule 18a-7 does not include a parallel requirement for every requirement in Rule 17a-5 because some of the requirements in Rule 17a-5 relate to activities that are not expected or permitted of SBSDs and MSBSPs.

Under Rule 18a-7, stand-alone SBSDs and stand-alone MSBSPs are required to file the FOCUS Report Part II and the annual reports, while bank SBSDs and bank MSBSPs are required to file the FOCUS Report Part IIC.⁶ Moreover, under Rule 18a-7 stand-alone SBSDs and stand-

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

² See 15 U.S.C. 78o-10.

³ See 15 U.S.C. 78o-10(f)(1)(A).

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 17 CFR 240.18a-7.

⁶ See 17 CFR 240.18a-7(a)(1)-(2) and 17 CFR 240.18a-7(c). Stand-alone SBSDs and stand-alone MSBSPs are required to file the FOCUS Report Part II on a monthly basis, whereas bank SBSDs and bank MSBSPs are required to file FOCUS Report Part IIC on a quarterly basis.

alone MSBSPs are required to make available to customers an audited statement of financial condition with appropriate notes on their public website.⁷

2. Purpose and Use of the Information Collection

The purpose of requiring stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs to report the information specified in Rule 18a-7 is to enhance regulators' ability to protect investors. These records and the information contained therein are used by examiners and other representatives of the Commission to determine whether stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs are in compliance with the Commission's anti-fraud and anti-manipulation rules, financial responsibility program, and other laws, rules, and regulations. If stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs were not required to report these records, examiners would be unable to conduct effective and efficient examinations to determine whether stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs were complying with relevant laws, rules, and regulations.

3. Consideration Given to Information Technology

The data required in the FOCUS Report Part II and Part IIC are tailored to the complexity of the firm's business. The burden is therefore commensurate with the type of business in which the firm engages. Currently, all FOCUS Reports Part II and Part IIC are filed electronically, and the annual reports may be filed electronically or in paper format.

4. Duplication

There is no duplication anticipated with respect to stand-alone SBSBs and stand-alone MSBSPs, because they are not otherwise required to report the information in the FOCUS Part II or the annual reports. Additionally, the Commission has provided SBSBs with an alternative method of compliance with certain requirements of Rule 18a-7, which may result in lower costs and hour burdens, especially with respect to initial compliance burdens, than would result under the standard compliance requirements. Specifically, the Commission has adopted Rule 18a-10⁸ which provides an alternative compliance mechanism under which an SBSB that is also registered with the Commodity Futures Trading Commission ("CFTC") as a swap dealer 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-7, as amended, provided that certain requirements are met. As of December 31, 2023, two SBSBs were using the alternative compliance mechanism.

5. Effect on Small Entities

SBSBs and MSBSPs registered with the Commission are large financial institutions. The requirements under Rule 18a-7 do not have a significant economic impact on small entities.

⁷ See 17 CFR 240.18a-7(b).

⁸ 17 CFR 240.18a-10.

6. Consequences of Not Conducting Collection

The required reports are used by the Commission to monitor the financial and operational condition of stand-alone SBSBs, stand-alone MSBSPs, bank SBSBs, and bank MSBSPs. If the required reports were not made, examiners would be unable to conduct effective and efficient examinations to determine whether these firms were complying with relevant laws, rules, and regulations, and the ability of the Commission to monitor their financial and operational condition would be impaired, potentially affecting regulators' capability to protect investors. Further, if the required collections were conducted less frequently, the information in the reports would become outdated.

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 required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

No payment or gift is provided to respondents.

10. Confidentiality

Annual reports filed by stand-alone SBSBs and stand-alone MSBSPs under paragraph (c) of Rule 18a-7 are not confidential, except that if the Statement of Financial Condition is bound separately from the balance of the annual reports, and each page of the balance of the annual reports is stamped "confidential," then the balance of the annual reports shall be deemed confidential to the extent permitted by law.⁹ With respect to the other information collected under Rule 18a-7, the covered firm can request the confidential treatment of the information.¹⁰ If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.¹¹

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

⁹ See 17 CFR 240.18a-7(d)(1).

¹⁰ See 17 CFR 200.83. Information regarding requests for confidential treatment of information submitted to the Commission is *available at* <http://www.sec.gov/foia/howfo2.htm#privacy>.

¹¹ See, e.g., 15 U.S.C. 78x (governing the public availability of information obtained by the Commission); 5 U.S.C. 552 *et seq.*

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 collects basic elements of PII including name, job title, and work address that is covered by the EDGAR PIA. No information of a sensitive nature, including social security numbers, will be required under this collection of information. Additionally, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier.

12. Burden of Information Collection

The estimated hourly burdens of the requirements associated with Rule 18a-7 are discussed below.

Reports for Model Stand-Alone SBSDs: Paragraph (a)(3) of Rule 18a-7, requires stand-alone SBSDs that are authorized to use models to compute capital to periodically file certain additional reports relating to their use of internal models to calculate net capital.¹² The Commission estimates that paragraph (a)(3) of Rule 18a-7 imposes no initial burden and an annual burden of 120 hours per model stand-alone SBSD.¹³ As of December 31, 2023, there were approximately four model stand-alone SBSDs, resulting in an **industry-wide estimated ongoing burden of 480 hours per year.**¹⁴

Customer Statements: Paragraph (b) of Rule 18a-7 requires stand-alone SBSDs and stand-alone MSBSPs to disclose certain financial statements on their Internet websites.¹⁵ The Commission estimates that paragraph (b) of Rule 18a-7 imposes an initial burden of 10 hours per firm and an annual burden of one hour per firm. As of December 31, 2023, there were approximately eight respondents (eight stand-alone SBSDs and no stand-alone MSBSPs), resulting in an **industry-wide estimated ongoing burden of eight hours per year.**¹⁶

Annual Reports for Stand-Alone MSBSPs: Paragraph (c) of Rule 18a-7 requires stand-alone SBSDs and stand-alone MSBSPs to file with the Commission an annual report consisting of certain financial reports.¹⁷ In addition, paragraph (d) of Rule 18a-7 requires the filing firm to attach Part III of Form X-17A-5 to the annual report.¹⁸ Part III must include an oath or

¹² See 17 CFR 240.18a-7(a)(3).

¹³ (4 hours/monthly report x 12 months/year) + (8 hours/quarterly report x 4 quarters/year) + 40 hours/annual report = 120 hours per year.

¹⁴ 120 hours per year x 4 model stand-alone SBSDs = 480 hours per year.

¹⁵ See 17 CFR 240.18a-7(b).

¹⁶ 1 hour per year x 8 stand-alone SBSDs and stand-alone MSBSPs = 8 hours per year. Although the Commission also estimates an initial burden of 10 hours for these requirements, as the number of respondents decreased to eight from 10 in the prior submission, there are no initial burdens.

¹⁷ See 17 CFR 240.18a-7(c).

¹⁸ See 17 CFR 240.18a-7(d).

affirmation, which implicitly requires a senior officer or a trusted delegate to review the annual report. The Commission estimates that paragraphs (c) and (d) of Rule 18a-7 would impose on stand-alone MSBSPs an annual burden of 10 hours. However, as of December 31, 2023, there were no stand-alone MSBSPs registered with the Commission, resulting in an **industry-wide estimated ongoing burden of 0 hours per year**.¹⁹

Annual Reports for Stand-Alone SBSDs: Stand-alone SBSDs not exempt from Rule 18a-4 are required to include a compliance report with their annual reports.²⁰ The Commission estimates that each compliance report takes approximately 60 hours to prepare.²¹ Therefore, paragraphs (c) and (d) of Rule 18a-7 would impose an estimated annual burden of 70 hours per stand-alone SBSD that files a compliance report. However, during calendar year 2023, no stand-alone SBSDs filed a compliance report, resulting in an **industry-wide estimated ongoing burden of 0 hours per year**.²²

Stand-alone SBSDs exempt from Rule 18a-4 are required to include an exemption report with their annual reports.²³ The Commission estimates that each exemption report takes approximately 7 hours to prepare,²⁴ The Commission further estimates that paragraphs (c) and (d) of Rule 18a-7 impose an annual burden of 17 hours per stand-alone SBSD that files an exemption report. During calendar year 2023, approximately eight stand-alone SBSDs filed an exemption report, resulting in an **industry-wide estimated ongoing burden of 136 hours per year**.²⁵

Statement Regarding Independent Public Accountant: Paragraph (e) of Rule 18a-7 requires stand-alone SBSDs and stand-alone MSBSPs to file a statement regarding the independent public accountant engaged to audit the firm's annual reports.²⁶ The Commission estimates that paragraph (e) of Rule 18a-7 imposes an initial burden of 10 hours per firm and an annual burden of two hours per firm. As of December 31, 2023, there were approximately eight

¹⁹ 10 hours per year × 0 stand-alone MSBSPs = 0 hours per year.

²⁰ See 17 CFR 240.18a-7 (c)(1)(i)(B).

²¹ See *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a-5* (June 7, 2023), available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202304-3235-019.

²² 70 hours per year × 0 stand-alone SBSDs = 0 hours per year.

²³ See 17 CFR 240.18a-7(c)(1)(i)(B).

²⁴ See *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a-5* (June 7, 2023), available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202304-3235-019

²⁵ 17 hours/year × 8 stand-alone SBSDs = 136 hours/year. These internal hours likely would be performed by a senior accountant.

²⁶ See 17 CFR 240.18a-7(e).

respondents (eight stand-alone SBSBs and no stand-alone MSBSPs), resulting in an **estimated industry-wide ongoing burden of 16 hours per year**.²⁷

Notice of Change in Fiscal Year: Paragraph (j) of Rule 18a–7 requires stand-alone SBSBs and stand-alone MSBSPs to notify the Commission of a change in fiscal year.²⁸ The Commission estimates that each financial notice takes approximately one hour to prepare and file with the Commission.²⁹ The Commission estimates that paragraph (j) of Rule 18a–7 imposes a burden of one hour per firm planning to change its fiscal year. The Commission estimates that each year, one firm will change its fiscal year, such that the **estimated burden on the industry would be one hour per year**.³⁰

FOCUS Report Part II for Stand-Alone SBSBs: Rule 18a–7 requires stand-alone SBSBs to file FOCUS Report Part II on a monthly basis.³¹ FOCUS Report Part II includes 11 sections and four schedules applicable to stand-alone SBSBs.³² Stand-alone SBSBs dually registered as Futures Commission Merchants (“FCMs”) are required to complete five additional sections, all of which the CFTC already requires FCMs to file as part of Form 1–FR–FCM.³³ In

²⁷ 2 hours per year × 8 stand-alone SBSBs and stand-alone MSBSPs = 16 hours per year. Although the Commission also estimates an initial burden of 10 hours for these requirements, as the number of respondents decreased to eight from 10 in the prior submission, there are no initial burdens.

²⁸ See 17 CFR 240.18a-7(j).

²⁹ See Commission, *Supporting Statement for the Paperwork Reduction Act Information Collection Submission for Rule 17a–11* (Aug. 2, 2023), available at https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=202307-3235-026.

³⁰ 1 hour per year x 1 stand-alone SBSB or stand-alone MSBSP = 1 hour per year.

³¹ See 17 CFR 240.18a-7(a)(1).

³² Stand-alone SBSBs are required to complete the following sections and schedules: (1) Statement of Financial Condition; (2) either Computation of Net Capital (Filer Authorized to Use Models) or Computation of Net Capital (Filer Not Authorized to Use Models); (3) Computation of Minimum Regulatory Capital Requirements (Non-Broker-Dealer); (4) Statement of Income (Loss); (5) Capital Withdrawals; (6) Capital Withdrawals—Recap; (7) Financial and Operational Data; (8) Financial and Operational Data—Operational Deductions from Capital—Note A; (9) Financial and Operational Data—Potential Operational Charges Not Deducted from Capital—Note B; (10) Computation for Determination of the Amount to be Maintained in the Special Account for the Exclusive Benefit of Security-Based Swap Customers—Rule 18a–4, Appendix A; (11) Possession or Control for Security-Based Swap Customers; (12) Schedule 1—Aggregate Securities, Commodities, and Swaps Positions; (13) Schedule 2—Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (14) Schedule 3—Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (15) Schedule 4—Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

³³ Stand-alone SBSBs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these five sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already

consideration of these additional requirements, the Commission estimates that the requirement for stand-alone SBSBs to file FOCUS Report Part II, as amended, every month imposes an initial burden of 160 hours per firm and an ongoing annual burden of 192 hours per firm. As of December 31, 2023, there were approximately eight stand-alone SBSBs, an increase of two from the prior submission. Therefore, the Commission estimates an **industry-wide initial burden of 320 hours**³⁴ and an **industry-wide ongoing burden of 1,536 hours per year**.³⁵ Over a three year period, the **total estimated industry burden would be 4,928 hours,**³⁶ or **1,642 hours per year when annualized.**³⁷

FOCUS Report Part II for Stand-Alone MSBSPs: Rule 18a-7 requires stand-alone MSBSPs to file FOCUS Report Part II, as amended, on a monthly basis.³⁸ FOCUS Report Part II, as amended, includes three sections and four schedules applicable to stand-alone MSBSPs.³⁹ Stand-alone MSBSPs dually registered as FCMs would be required to complete five additional sections, all of which the CFTC already requires FCMs to file as part of Form 1-FR-FCM.⁴⁰ In consideration of these additional requirements, the Commission estimates that the requirement for stand-alone MSBSPs to file FOCUS Report Part II every month would impose an initial burden of 40 hours per firm and an ongoing annual burden of 48 hours per firm. However, as of December 31, 2023, there were no stand-alone MSBSPs registered with the Commission, resulting in an **estimated industry-wide burden of 0 hours per year.**⁴¹

accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, FCMs are not required to file both the CFTC's Form 1-FR-FCM and the Commission's FOCUS Report Part II.

³⁴ 160 hours × 2 stand-alone SBSBs = 320 hours.

³⁵ 192 hours per year × 8 stand-alone SBSBs = 1,536 hours per year.

³⁶ 320 hours + (1,536 hours x 3) = 4,928 hours.

³⁷ 4,928 hours / 3 years = 1,642 hours per year.

³⁸ See 17 CFR 240.18a-7(a)(1).

³⁹ Stand-alone MSBSPs are required to complete the following sections and schedules: (1) Statement of Financial Condition; (2) Computation of Tangible Net Worth; (3) Statement of Income (Loss); (4) Schedule 1—Aggregate Securities, Commodities, and Swaps Positions; (5) Schedule 2—Credit Concentration Report for Fifteen Largest Exposures in Derivatives; (6) Schedule 3—Portfolio Summary of Derivatives Exposures by Internal Credit Rating; and (7) Schedule 4—Geographic Distribution of Derivatives Exposures for Ten Largest Countries.

⁴⁰ Stand-alone MSBSPs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers' Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC's Rule 1.10 (1 CFR 1.10). In addition, FCMs are not required to file both the CFTC's Form 1-FR-FCM and the Commission's FOCUS Report Part II.

⁴¹ 48 hours per year × 0 stand-alone MSBSPs = 0 hours per year.

FOCUS Report Part IIC for Bank SBSBs: Rule 18a–7 requires bank SBSBs to file FOCUS Report Part IIC on a quarterly basis.⁴² FOCUS Report Part IIC includes five sections and one schedule applicable to bank SBSBs.⁴³ FOCUS Report Part IIC does not impose a significant burden on bank SBSBs, because two of the five sections require the firm to file calculations already computed in accordance with Rule 18a-3, and the other three sections either mirror or are scaled down versions of schedules to FFIEC Form 031, which banks are already required to file with their prudential regulator (although they would need to transpose this information from FFIEC Form 031 to the FOCUS Report Part IIC). Although bank SBSBs dually registered as FCMs would be required to complete five additional sections, the CFTC already requires FCMs to file these schedules on Form 1–FR–FCM.⁴⁴ In consideration of these additional requirements, the Commission estimates that the requirement for bank SBSBs to file FOCUS Report Part IIC quarterly imposes an initial burden of 36 hours per firm and an ongoing annual burden of 16 hours per firm per year. As of December 31, 2023, there were approximately 29 bank SBSBs, an increase of four from the prior submission. Therefore, the Commission estimates an **industry-wide initial burden of 144 hours**⁴⁵ and an **industry-wide ongoing burden of 464 hours per year**.⁴⁶ Over a three year period, **the total estimated industry burden would be 1,536 hours**,⁴⁷ or **512 hours per year when annualized**.⁴⁸

FOCUS Report Part IIC for Bank MSBs: Rule 18a–7 requires bank MSBs to file FOCUS Report Part IIC on a quarterly basis.⁴⁹ FOCUS Report Part IIC includes three sections and one schedule applicable to bank MSBs.⁵⁰ Bank MSBs dually registered as FCMs are

⁴² See 17 CFR 240.18a-7(a)(2).

⁴³ Bank SBSBs are required to complete the following sections and schedules: (1) Balance Sheet (Information as Reported on FFIEC Form 031—Schedule RC); (2) Regulatory Capital (Information as Reported on FFIEC Form 031— Schedule RC–R); (3) Income Statement (Information as Reported on FFIEC Form 031—Schedule RI); (4) Computation for Determination of Security-Based Swap Customer Reserve Requirements; (5) Possession or Control for Security-Based Swap Customers; and (6) Schedule 1 – Aggregate Security-Based Swap and Swap Positions.

⁴⁴ Bank SBSBs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). In addition, FCMs are not required to file both the CFTC’s Form 1–FR–FCM and the Commission’s FOCUS Report Part IIC.

⁴⁵ $36 \text{ hours} \times 4 \text{ bank SBSBs} = 144 \text{ hours}$.

⁴⁶ $16 \text{ hours per year} \times 29 \text{ bank SBSBs} = 464 \text{ hours per year}$.

⁴⁷ $144 \text{ hours} + (464 \text{ hours} \times 3) = 1,536 \text{ hours}$.

⁴⁸ $1,536 \text{ hours} / 3 \text{ years} = 512 \text{ hours per year}$.

⁴⁹ See 17 CFR 240.18a-7(a)(2).

⁵⁰ Bank MSBs would be required to complete the following sections and schedules: (1) Balance Sheet (Information as Reported on FFIEC Form 031—Schedule RC); (2) Regulatory Capital (Information as

required to complete five additional sections, all of which the CFTC already requires FCMs to file as part of Form 1–FR–FCM.⁵¹ The Commission estimates that the requirement for bank MSBSPs to file FOCUS Report Part IIC quarterly would impose an initial burden of 36 hours per firm and ongoing annual burden of 16 hours per firm per year. However, as of December 31, 2023, there were no banks registered with the Commission as MSBSPs, resulting in an **estimated industry-wide burden of 0 hours per year.**⁵²

Total Industry Hour Burden: Thus, the Commission estimates that the total initial industry hour burden attributable to Rule 18a-7 is 464 hours⁵³ and the total annual industry hour burden attributable to Rule 18a-7 is 2,641 hours per year.⁵⁴ Over a three year period, **the total estimated industry burden would be 8,387 hours,**⁵⁵ or about **2,796 hours per year when annualized.**⁵⁶

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 %]
Reports for Model Stand-Alone SBSBs	Reporting	4	1	0.00	0.00	120.00	120.00	120.00	480.00	0
Customer Statements	Third-party Disclosure	8	1	0.00	0.00	1.00	1.00	1.00	8.00	0
Annual Reports for Stand-Along SBSBs	Reporting	8	1	0.00	0.00	17.00	17.00	17.00	136.00	0

Reported on FFIEC Form 031—Schedule RC–R); (3) Income Statement (Information as Reported on FFIEC Form 031—Schedule RI); and (4) Schedule 1 – Aggregate Security-Based Swap and Swap Positions.

⁵¹ Bank MSBSPs also registered as FCMs are required to file the following sections: (1) Computation of CFTC Minimum Capital Requirement; (2) Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges; (3) Statement of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under Section 4d(f) of the Commodity Exchange Act; (4) Statement of Segregation Requirements and Funds in Segregation for Customers’ Dealer Options Accounts; and (5) Statement of Secured Amounts and Funds Held in Separate Accounts for Foreign Futures and Foreign Options Customers Pursuant to CFTC Regulation 30.7. The Commission does not estimate a burden for these 5 sections, since the CFTC already requires FCMs to file these 5 sections on a monthly basis (17 CFR 1.10(b)(i)), and therefore, the hourly burden is already accounted for in the PRA estimate for the CFTC’s Rule 1.10 (1 CFR 1.10). FCMs are not required to file both the CFTC’s Form 1–FR–FCM and the Commission’s FOCUS Report Part IIC.

⁵² 16 hours per year x 0 bank MSBSPs = 0 hours per year.

⁵³ 320 hours + 144 hours = 464 hours.

⁵⁴ 480 hours + 8 hours + 136 hours + 16 hours + 1 hour + 1,536 hours + 464 hours = 2,641 hours.

⁵⁵ 464 hours of initial burden + (2,641 hours per year x 3 years) = 8,387 hours.

⁵⁶ 8,387 hours / 3 years = 2,796 hours per year.

Exempt from Rule 18a-4										
Statement Regarding Independent Public Accountant	Reporting	8	1	0.000	0.00	2.00	2.00	2.00	16.00	0
Notice of Change in Fiscal Year	Reporting	1	1	0.00	0.00	1.00	1.00	1.00	1.00	0
FOCUS Report Part II for Stand-Alone SBSDBs (initial burden)	Reporting	2	1	160.00	53.33	0.00	53.33	53.33	106.67	0
FOCUS Report Part II for Stand-Alone SBSDBs (ongoing burden)	Reporting	8	12	0.00	0.00	16.00	16.00	192.00	1,536.00	0
FOCUS Report Part IIC for Bank SBSDBs (initial burden)	Reporting	4	1	36.00	12.00	0.00	12.00	12.00	48.00	0
FOCUS Report Part IIC for Bank SBSDBs (ongoing burden)	Reporting	29	4	0.00	0.00	4.00	4.00	16.00	464.00	0
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									2,795.67	

13. Costs to Respondents

Rule 18a-7 imposes annual dollar costs on a stand-alone SBSDB or a stand-alone MSBSP to meet the reporting requirements of the annual report, statement regarding accountant, engagement of accountant, and notice of change in fiscal year. Rule 18a-7 is not expected to increase the annual dollar costs that bank SBSDBs and bank MSBSPs incur to meet the reporting requirements, because banks are already subject to reporting requirements by the prudential regulators.⁵⁷ Those requirements that are expected to impose an annual cost to the industry are discussed below.

Website and Toll-Free Number: The Commission does not anticipate a dollar cost to establish a website and a toll-free number under paragraph (b) of Rule 18a-7, because the Commission believes firms that are large enough to register as an SBSDB or MSBSP already maintain a toll-free number for their customers and already have an Internet website.

Annual Report for Stand-Alone SBSDBs and Stand-Alone MSBSPs: The Commission estimates that postage costs to comply with paragraphs (c) and (d) of Rule 18a-7 impose on stand-alone SBSDBs and stand-alone MSBSPs an annual dollar cost of approximately \$9.85, for each firm that files with the Commission in paper format.⁵⁸ For calendar year 2023, approximately one firm filed its annual reports in paper with the Commission (one stand-alone SBSDBs and no stand-alone MSBSPs), resulting in **an estimated industry-wide cost for stand-alone SBSDBs of \$9.85 per year,**⁵⁹ and **an estimated industry-wide cost for stand-alone MSBSPs of \$0 per year.**⁶⁰

⁵⁷ See, e.g., 12 CFR 12.3 (Department of Treasury); 12 CFR 219.21 *et seq.* (Federal Reserve); 12 CFR 344.4 (FDIC).

⁵⁸ As of March 2024, a priority mail flat rate envelope cost \$9.85, based on costs obtained on the U.S. Postal Service website at www.usps.gov.

⁵⁹ \$9.85 per firm x 1 stand-alone SBSDBs = \$9.85.

⁶⁰ \$9.85 per firm x 0 stand-alone MSBSPs = \$0 per year.

Statement Regarding Accountant: The Commission estimates that postage costs to comply with paragraph (e) of Rule 18a–7 impose an annual dollar cost of 68 cents per firm.⁶¹ As of December 31, 2023, there were approximately eight respondents (eight stand-alone SBSBs and no stand-alone MSBSPs), resulting in **an estimated industry-wide cost of \$5.44 per year.**⁶²

Engagement of Accountant for Stand-Alone SBSBs and Stand-Alone MSBSPs: Paragraph (f) of Rule 18a–7 requires stand-alone SBSBs and stand-alone MSBSPs to engage an independent public accountant to provide reports covering the firm’s annual reports.⁶³ The Commission previously estimated that it would cost each carrying firm \$300,000 to retain an independent public accountant to audit its financial statements and \$150,000 to examine its compliance report.⁶⁴ However, since only stand-alone SBSBs are required to file a compliance report,⁶⁵ only they (and not stand-alone MSBSPs) would be required to retain an independent public accountant to review their compliance reports.

Therefore, the Commission estimates that paragraph (f) of Rule 18a–7 would impose an annual cost of \$300,000 on each stand-alone MSBSP. However, as of December 31, 2023, there were no stand-alone MSBSPs registered with the Commission, resulting in **an estimated industry-wide cost of \$0 per year.**⁶⁶

The Commission estimates that paragraph (f) of proposed Rule 18a–7 imposes on stand-alone SBSBs that are exempt from Rule 18a-4 an annual cost of \$303,000 per firm,⁶⁷ since both their financial statements and exemption report would need to be audited. The Commission estimates that there are eight such stand-alone SBSBs, resulting in **an estimated industry-wide cost of \$2,424,000 per year.**⁶⁸ The Commission estimates that paragraph (f) of Rule 18a-7 will impose on stand-alone SBSBs not exempt from Rule 18a-4 an annual cost of \$450,000 per firm,⁶⁹ since both their financial statements and compliance report will need to be audited. However, as of December 31, 2023, there were no stand-alone SBSBs not exempt from Rule 18a-4, resulting in **an estimated industry-wide cost of \$0 per year.**⁷⁰

Notice of Change of Fiscal Year: The Commission estimates that postage cost to comply with paragraph (j) of Rule 18a–7 imposes an annual dollar cost of 68 cents per firm

⁶¹ As of March 2024, it cost 68 cents to send a one-ounce retail domestic first-class letter through the U.S. Postal Service.

⁶² $\$0.68 \text{ per firm} \times 8 \text{ stand-alone SBSBs and stand-alone MSBSPs} = \5.44 per year.

⁶³ See 17 CFR 240.18a-7(f).

⁶⁴ See *Broker-Dealer Reports; Final Rule*, Exchange Act Release No. 70073 (July 30, 2013), 78 FR 51910, 51963 (Aug. 21, 2013).

⁶⁵ See 17 CFR 240.18a-7(c)(1)(i)(B).

⁶⁶ $\$300,000 \text{ per year} \times 0 \text{ stand-alone MSBSPs} = \0 per year.

⁶⁷ $\$300,000 \text{ per year (financial statements)} + \$3,000 \text{ per year (exemption report)} = \$303,000 \text{ per year.}$

⁶⁸ $\$303,000 \text{ per year} \times 8 \text{ stand-alone SBSBs} = \$2,424,000 \text{ per year.}$

⁶⁹ $\$300,000/\text{year (financial statements)} + \$150,000/\text{year (compliance report)} = \$450,000/\text{year.}$

⁷⁰ $\$450,000 \text{ per year} \times 0 \text{ stand-alone SBSBs} = \0 per year.

planning to change its fiscal year.⁷¹ The Commission estimates that each year, one firm will change its fiscal year, such that the **estimated cost burden on the industry would be 68 cents per year.**⁷²

Total Industry Costs Burden: Therefore, the total industry-wide dollar cost of Rule 18a-7 is estimated to be **\$2,424,016 per year** as summarized in the table below.

Summary of Dollar Costs										
		A.	B.	C.	D.	E.	F.	G.		
Name of Information Collection	Type of Burden	Number of Entities Impacted	Annual Responses per Entity	Initial Cost per Entity per Response	Initial Cost Annualized per Entity per Response	Ongoing Cost per Entity per Response	Annual Cost Per Entity per Response	Total Annual Cost Per Entity	Total Industry Cost	Small Business Entities Affected
					[C + 3 years]		[D + E]	[F * B]	[G * A]	[A * 0 %]
Annual Reports for Stand-Alone SBSBs Filing in Paper	Reporting	1	1	\$0.00	\$0.00	\$9.85	\$9.85	\$9.85	\$9.85	0
Statement Regarding Independent Public Accountant	Reporting	8	1	\$0.00	\$0.00	\$0.68	\$0.68	\$05.44	\$5.44	0
Engagement of Accountant for Stand-Alone SBSBs exempt from 18a-4	Reporting	8	1	\$0.00	\$0.00	\$303,000	\$303,000	\$303,000	\$2,424,000	0
Notice of Change in Fiscal Year	Reporting	1	1	\$0.00	\$0.00	\$0.68	\$0.68	\$0.68	\$0.68	0
TOTAL HOURLY COST FOR ALL RESPONDENTS									\$2,424,015.97	

14. Cost to Federal Government

Rule 18a-7 is not expected to result in costs to the federal government due to contracting, information technology, development, hiring one or more new employees, or reallocating existing employees.

15. Changes in Burden

Generally, the annual burdens changed as a result of the burden estimate being revised to reflect a change in the number of respondents. The changes in the estimated number of respondents are summarized in the table below.

Respondent Type	Number of Respondents	Previous Estimate
Stand-alone SBSBs	8	6
Stand-alone MSBSPs	0	4

⁷¹ As of March 2024, it cost 68 cents to send a one-ounce retail domestic first-class letter through the U.S. Postal Service.

⁷² \$0.68 per year x 1 stand-alone SBSD or stand-alone MSBSP = \$0.68 per year.

Bank SBSBs	29	25
Bank SBSBs	0	0

As of December 31, 2023, two SBSBs were availing themselves of the alternative compliance mechanism in Rule 18a-10. The estimated number of SBSB respondents has been reduced by this number to reflect this.

Certain cost estimates have increased as a result of an increase in the cost of postage. To the extent that the number of respondents associated with a particular cost estimate have decreased, the cost estimate has decreased notwithstanding the increase in postage.

The changes in the estimated burden hours and costs are summarized in the tables below:

Summary of Changes in Burden Hours				
Name of Information Collection Previously Reviewed	Annual Industry Burden	Annual Industry Burden Previously Reviewed	Change in Burden	Reason for Change in Burden
Customer Statements	8	10	(2)	Reduced estimate for the number of respondents
Annual Report for Stand-Alone MSBSP	0	40	(40)	Reduced estimate for the number of respondents
Annual Reports for Stand-Along SBSBs Exempt From Rule 18a-4	136	102	34	Increased estimate for the number of respondents
Statement Regarding Independent Public Accountant	16	20	(4)	Reduced estimate for the number of respondents
FOCUS Report Part II for Stand-Alone SBSBs	1,536	1,152	384	Increased estimate for the number of respondents
FOCUS Report Part II for Stand-Alone MSBSP	0	192	(192)	Reduced estimate for the number of respondents
FOCUS Report Part IIC for Bank SBSBs	464	400	64	Increased estimate for the number of respondents

Summary of Changes in Costs				
Name of Information Collection Previously Reviewed	Annual Industry Cost	Annual Industry Cost Previously Reviewed	Change in Cost	Reason for Change in Cost
Annual Reports for Stand-Alone MSBSPs	\$0	\$30.80	(\$30.80)	Reduced estimate for the number of respondents offsets the higher cost of postage, resulting in a lower estimated cost
Annual Reports for Stand-Alone SBSDs	\$9.85	\$46.20	(36.35)	Reduced estimate for the number of respondents offsets the higher cost of postage, resulting in a lower estimated cost
Statement Regarding Independent Public Accountant	\$5.44	\$5.50	(0.06)	Reduced estimate for the number of respondents offsets the higher cost of postage, resulting in a lower estimated cost
Engagement of Accountant for Stand-Alone MSBSP	\$0	\$1,200,000	(\$1,200,000)	Reduced estimate for the number of respondents
Engagement of Accountant for Stand-Alone SBSDs exempt from 18a-4	\$2,424,000	\$1,818,000	\$606,000	Increased estimate for the number of respondents
Notice of Change in Fiscal Year	\$0.68	\$0.55	\$0.13	Increase in the cost estimate resulting from an increase in the cost of postage

16. Information Collection Planned for Statistical Purposes

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

17. OMB Expiration Date Display Approval

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

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.