

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

2025 Rule Amendments

The Commission recently amended Rule 18a-7 to require annual audited reports and related annual filings to be filed electronically in Inline eXtensible Business Reporting Language (“Inline XBRL”) through the Commission’s Electronic Data Gathering and Retrieval (“EDGAR”) system.⁸ The filings were previously made either in paper, via email, or voluntarily on the EDGAR system as PDF documents. The Commission is removing the requirement for the annual audited report’s oath or affirmation to be notarized. The Commission is also allowing electronic signatures in Rule 18a-7 filings, which includes the annual audited reports and the FOCUS Report. Finally, the Commission is making amendments to FOCUS Report Part II and FOCUS Report Part IIC. Neither of these amendments are expected to impact the ongoing burden of filing FOCUS Report Parts II or IIC.

2. Purpose and Use of the Information Collection

The purpose of requiring stand-alone SBSDs, stand-alone MSBSPs, bank SBSDs, 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 SBSDs, stand-alone MSBSPs, bank SBSDs, 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 SBSDs, stand-alone MSBSPs, bank SBSDs, 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 SBSDs, stand-alone MSBSPs, bank SBSDs, 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. Prior to the 2024 rule amendments, all FOCUS Reports Part II and Part IIC were filed electronically, and the annual audited reports were permitted to be filed electronically or in paper format.

2024 Rule Amendments

As stated above, the Commission is amending Rule 18a-7 to require stand-alone SBSDs and stand-alone MSBSPs to electronically file annual audited reports and related annual filings

⁷ See 17 CFR 240.18a-7(b).

⁸ See Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report; SEC Release Nos. 33-11342; 34-101925; IC- 35420; (Dec. 16, 2024); 90 FR 7250 (Jan. 21, 2025) (File No. S7-08-23).

with the Commission in Inline XBRL through the Commission’s EDGAR system.

4. Duplication

There is no duplication anticipated with respect to stand-alone SBSs and stand-alone MSBSs, because they are not otherwise required to report the information in the FOCUS Part II or the annual reports. Additionally, the Commission has provided SBSs 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-10⁹ which provides an alternative compliance mechanism under which an SBS 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 SBSs were using the alternative compliance mechanism.

5. Effect on Small Entities

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

6. Consequences of Not Conducting Collection

The required reports are used by the Commission to monitor the financial and operational condition of stand-alone SBSs, stand-alone MSBSs, bank SBSs, and bank MSBSs. 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 Commission requested comment on the collection of information requirements in the proposing release in March 2023.¹⁰ Multiple commenters generally agreed that the Inline XBRL requirements under the rule amendments will impose additional costs on affected entities,

⁹ 17 CFR 240.18a-10.

¹⁰ See Electronic Submission of Certain Materials Under the Securities Exchange Act of 1934; Amendments Regarding the FOCUS Report; SEC Release Nos. 33-11176, 34-97182, IC-34864 (Mar. 22, 2023); 88 FR 23920 (Apr. 18, 2023) (File No. S7-08-23).

but disagreed with the Commission's estimates on the specific nature and magnitude of such costs.¹¹ The Commission considered these comments. The Commission estimated at proposal, and continues to estimate for the rule amendments, that certain affected filers or submitters (specifically, clearing agencies and exchanges not affiliated with public companies) will incur costs of \$20,000 to \$30,000 to structure the documents, but that other affected filers or submitters will incur lower costs. The Commission has, however, increased the burden and cost estimates for Inline XBRL tagging of the relevant documents. In addition, the Commission received comment asking us to remove the requirement for the annual audit's oath or affirmation to be notarized. The Commission considered the comment and agreed that the notarization requirement can be eliminated.

9. Payment or Gift

No payment or gift is provided to respondents.

10. Confidentiality

The covered firm can request the confidential treatment of the information collected under Rule 18a-7.¹² If such a confidential treatment request is made, the information will be treated as confidential to the extent permitted by law.¹³

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 collects personally identifiable information that may include a name, job title, and work address. However, this information collection does not constitute a system of records for purposes of the Privacy Act, because information is not retrieved by a personal identifier. The EDGAR PIA will cover this information collection.

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 SBSs: Paragraph (a)(3) of Rule 18a-7, requires stand-alone SBSs that are authorized to use models to compute capital to periodically file

¹¹ The comments on the proposing release are available at <https://www.sec.gov/comments/s7-08-23/s70823.htm>.

¹² 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>.

¹³ 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.*

certain additional reports relating to their use of internal models to calculate net capital.¹⁴ 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.¹⁵ 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**.¹⁶

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.¹⁷ 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 **8 hours per year**.¹⁸

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.¹⁹ 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.²⁰ Part III must include an oath or 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**.²¹

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.²² The Commission estimates that each compliance report takes approximately 60 hours to prepare.²³ 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-

¹⁴ See 17 CFR 240.18a-7(a)(3).

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

¹⁶ 120 hours per year × 4 model stand-alone SBSDs = 480 hours per year.

¹⁷ See 17 CFR 240.18a-7(b).

¹⁸ 1 hour per year × 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.

¹⁹ See 17 CFR 240.18a-7(c).

²⁰ See 17 CFR 240.18a-7(d).

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

²² See 17 CFR 240.18a-7 (c)(1)(i)(B).

²³ 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.

alone SBSBs filed a compliance report, resulting in an industry-wide estimated ongoing burden of **0 hours per year**.²⁴

Stand-alone SBSBs exempt from Rule 18a-4 are required to include an exemption report with their annual reports.²⁵ The Commission estimates that each exemption report takes approximately 7 hours to prepare,²⁶ The Commission further estimates that paragraphs (c) and (d) of Rule 18a-7 impose an annual burden of 17 hours per stand-alone SBSB that files an exemption report. During calendar year 2023, approximately eight stand-alone SBSBs filed an exemption report, resulting in an industry-wide estimated ongoing burden of **136 hours per year**.²⁷

Statement Regarding Independent Public Accountant: Paragraph (e) of Rule 18a-7 requires stand-alone SBSBs and stand-alone MSBSPs to file a statement regarding the independent public accountant engaged to audit the firm's annual reports.²⁸ 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 respondents (eight stand-alone SBSBs and no stand-alone MSBSPs), resulting in an estimated industry-wide ongoing burden of **16 hours per year**.²⁹

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.³⁰ The Commission estimates that each financial notice takes approximately one hour to prepare and file with the Commission.³¹ 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 **1 hour per year**.³²

²⁴ 70 hours per year × 0 stand-alone SBSBs = 0 hours per year.

²⁵ See 17 CFR 240.18a-7(c)(1)(i)(B).

²⁶ 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

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

²⁸ See 17 CFR 240.18a-7(e).

²⁹ 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.

³⁰ See 17 CFR 240.18a-7(j).

³¹ 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.

³² 1 hour per year × 1 stand-alone SBSB or stand-alone MSBSP = 1 hour per year.

FOCUS Report Part II for Stand-Alone SBSDs: Rule 18a–7 requires stand-alone SBSDs to file FOCUS Report Part II, as amended, on a monthly basis.³³ FOCUS Report Part II, as amended, includes 11 sections and four schedules applicable to stand-alone SBSDs.³⁴ Stand-alone SBSDs 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.³⁵ In consideration of these additional requirements, the Commission estimates that the requirement for stand-alone SBSDs 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 SBSDs, an increase of two from the prior submission. Therefore, the Commission estimates an industry-wide initial burden of 320 hours³⁶ and an industry-wide ongoing burden of 1,536 hours per year.³⁷ Over a three year period, the total estimated industry burden would be 4,928 hours,³⁸ or **1,642 hours per year** when annualized.³⁹

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.⁴⁰ FOCUS Report Part

³³ See 17 CFR 240.18a-7(a)(1).

³⁴ Stand-alone SBSDs 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.

³⁵ Stand-alone SBSDs 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 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.

³⁶ 160 hours × 2 stand-alone SBSDs = 320 hours.

³⁷ 192 hours per year × 8 stand-alone SBSDs = 1,536 hours per year.

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

³⁹ 4,928 hours / 3 years = 1,642 hours per year.

⁴⁰ See 17 CFR 240.18a-7(a)(1).

II, as amended, includes three sections and four schedules applicable to stand-alone MSBSPs.⁴¹ Stand-alone MSBSPs dually registered as 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.⁴² 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**.⁴³

FOCUS Report Part IIC for Bank SBSBs: Rule 18a–7 requires bank SBSBs to file FOCUS Report Part IIC on a quarterly basis.⁴⁴ FOCUS Report Part IIC includes five sections and one schedule applicable to bank SBSBs.⁴⁵ 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.⁴⁶ In consideration of these

⁴¹ 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.

⁴² 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.

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

⁴⁴ See 17 CFR 240.18a-7(a)(2).

⁴⁵ 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.

⁴⁶ 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

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 hours⁴⁷ and an industry-wide ongoing burden of 464 hours per year.⁴⁸ Over a three year period, the total estimated industry burden would be 1,536 hours,⁴⁹ or **512 hours per year** when annualized.⁵⁰

FOCUS Report Part IIC for Bank MSBSPs: Rule 18a-7 requires bank MSBSPs to file FOCUS Report Part IIC on a quarterly basis.⁵¹ FOCUS Report Part IIC includes three sections and one schedule applicable to bank MSBSPs.⁵² Bank MSBSPs dually registered as 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.⁵³ 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.**⁵⁴

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.

⁴⁷ 36 hours × 4 bank SBSBs = 144 hours.

⁴⁸ 16 hours per year × 29 bank SBSBs = 464 hours per year.

⁴⁹ 144 hours + 464 hours × 3 = 1,536 hours.

⁵⁰ 1,536 hours / 3 years = 512 hours per year.

⁵¹ See 17 CFR 240.18a-7(a)(2).

⁵² Bank MSBSPs 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); and (4) Schedule 1 – Aggregate Security-Based Swap and Swap Positions.

⁵³ 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.

⁵⁴ 16 hours per year × 0 bank MSBSPs = 0 hours per year.

2024 Rule Amendments

Filing Annual Audit on EDGAR: The Commission is requiring stand-alone SBSs and stand-alone MSBs to file the annual audited report and supporting schedules on EDGAR. The Commission estimates that the one-time burden for a firm to familiarize itself with EDGAR would be approximately 16 hours. However, because all respondents already voluntarily file their annual reports on EDGAR, the Commission estimates that the one-time industry-wide burden would be **0 hours**.⁵⁵

Filing Annual Audit in Inline XBRL – Initial Burden: The Commission is requiring stand-alone SBSs and stand-alone MSBs to file the annual audited report and supporting schedules on EDGAR in Inline XBRL. On average, respondents are estimated to incur 7 burden hours for the first response to be tagged in Inline XBRL. There are 18 respondents (18 stand-alone SBSs and 0 stand-alone MSBs, including foreign firms relying on substituted compliance), resulting in an industry-wide initial internal burden of 126 hours,⁵⁶ or **42 hours** on an annualized basis.⁵⁷

Filing Annual Audit in Inline XBRL – Ongoing Burden: The Commission is requiring stand-alone SBSs and stand-alone MSBs to file the annual audited report and supporting schedules on EDGAR in Inline XBRL. On average, respondents are estimated to incur an ongoing burden of 4.5 hours to tag responses in Inline XBRL. There are 18 respondents (18 stand-alone SBSs and 0 stand-alone MSBs, including foreign firms relying on substituted compliance), resulting in an industry-wide ongoing annual industry-wide ongoing internal burden of **81 hours**.⁵⁸

Corrective and Clarifying Amendments to FOCUS Report Part II: The Commission is making corrective and clarifying amendments to FOCUS Report Part II. The Commission estimates that the amendments will result in an initial burden of 5 hours on each respondent so firms can familiarize themselves with the amendments to FOCUS Report Part II. There are 18 respondents (18 stand-alone SBSs and 0 stand-alone MSBs, including foreign firms relying on substituted compliance), resulting in an industry-wide initial burden of 90 hours,⁵⁹ or **30 hours** on an annualized basis.⁶⁰ The Commission believes that these amendments will either have no ongoing burden on or reduce the ongoing burden because they will reduce questions about where and how to report items on the form.

Amendments to FOCUS Report Part IIC: The Commission is aligning the text in FOCUS Report Part IIC with the text in FFIEC Form 031, including additional amendments to FOCUS Report Part IIC to match additional changes made to FFIEC Form 031 since the date of

⁵⁵ 0 stand-alone SBSs and stand-alone MSBs not voluntarily filing on EDGAR x 16 hours = 0 hours.

⁵⁶ 18 respondents x 7 hours = 126 hours.

⁵⁷ 126 hours / 3 years = 42 hours.

⁵⁸ 18 respondents x 4.5 hours = 81 hours.

⁵⁹ 18 respondents x 5 hours = 90 hours.

⁶⁰ 90 hours / 3 years = 30 hours.

the Proposing Release. Although both the amendment and the associated burden were discussed in the Proposing Release, it was inadvertently left out of the proposed revision submitted to OMB on April 19, 2023. The Commission estimates that the amendments will result in an initial burden of 5 hours on each respondent so firms can familiarize themselves with the amendments to FOCUS Report Part IIC. There are 30 respondents (30 bank SBSDs, including foreign firms relying on substituted compliance), resulting in an industry-wide initial burden of 150 hours,⁶¹ or **50 hours** on an annualized basis.⁶² The Commission believes that these amendments are expected to generally either have no impact on or reduce the ongoing burden on respondents because they will generally reduce questions about how to complete FOCUS Report Part IIC consistently with FFIEC Form 031.

Amendments to FOCUS Report Signature Requirement: The Commission is amending the instructions to Parts II and IIC of the FOCUS Report to allow only one named officer's signature when the signature belongs to the firm's principal executive officer or principal financial officer (or their comparable officers). Signatories on Rule 18a-7 filings may choose between providing either manual or electronic signatures. This amendment is expected to result in an initial burden of 1 hour on each filer so that the firm can review the standards for an electronic signature on the FOCUS Report. There are 48 respondents (18 stand-alone SBSDs, 0 stand-alone MSBSPs, 30 bank SBSDs, and 0 bank MSBSPs, including foreign firms relying on substituted compliance) resulting in an industry-wide initial burden of 48 hours,⁶³ or **16 hours** on an annualized basis.⁶⁴ However, this amendment is expected to either have no impact on or reduce the ongoing burden on FOCUS Report filers, because they will not be required to furnish as many signatures as before the amendment, and it may be easier to prepare electronic signatures rather than manual signatures since firms will already be familiar with the process and can easily obtain these signatures while working remotely. The Commission estimates that the amendments will not change the estimated ongoing annual burden imposed by FOCUS Report Parts II and IIC.

Removal of Oath or Affirmation Notarization Requirement: The Commission is amending Part III of Form X-17A-5 (i.e., the annual audit's cover page) to remove the signature line for the notary public. The Commission received comment asking us to remove the requirement for the annual audit's oath or affirmation to be notarized. The Commission considered the comment and agreed that the notarization requirement can be eliminated. We believe this amendment will generally either have no impact on or reduce the ongoing burden on the filers because they will no longer need to obtain notarization of the annual reports. Nevertheless, the Commission estimates that the amendment will result in an initial burden of 5 hours on each firm required to file annual reports and related annual filings under Rule 18a-7 so firms can familiarize themselves with the change. There are 18 respondents (18 stand-alone SBSDs and 0 stand-alone MSBSPs, including foreign firms relying on substituted compliance),

⁶¹ 30 respondents x 5 hours = 150 hours.

⁶² 150 hours / 3 years = 50 hours.

⁶³ 48 respondents x 1 hour = 48 hours.

⁶⁴ 48 hours / 3 years = 16 hours.

resulting in an estimated industry-wide initial burden of 90 hours,⁶⁵ or **30 hours** on an annualized basis.⁶⁶

Total Industry Hour Burden: The Commission therefore estimates that the total industry-wide hourly burden associated with Rule 18a-7 is approximately **3,044.67 hours** per year. The burden is summarized in the table below.

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
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]
Reports for Model Stand-Alone SBSDs	Reporting	4	1	0.00	0.00	120.00	120.00	120.00	480.00
Customer Statements	Third-party Disclosure	8	1	0.00	0.00	1.00	1.00	1.00	8.00
Annual Reports for Stand-Alone SBSDs Exempt from Rule 18a-4	Reporting	8	1	0.00	0.00	17.00	17.00	17.00	136.00
Statement Regarding Independent Public Accountant	Reporting	8	1	0.000	0.00	2.00	2.00	2.00	16.00
Notice of Change in Fiscal Year	Reporting	1	1	0.00	0.00	1.00	1.00	1.00	1.00
FOCUS Report Part II for Stand-Alone SBSDs (initial burden)	Reporting	2	1	160.00	53.33	0.00	53.33	53.33	106.67*
FOCUS Report Part II for Stand-Alone SBSDs (ongoing burden)	Reporting	8	12	0.00	0.00	16.00	16.00	192.00	1,536.00*
FOCUS Report Part IIC for Bank SBSDs (initial burden)	Reporting	4	1	36.00	12.00	0.00	12.00	12.00	48.00**
FOCUS Report Part II for Stand-Alone SBSDs (ongoing burden)	Reporting	29	4	0.00	0.00	4.00	4.00	16.00	464.00**
2024 Amendments – Filing annual audit in Inline XBRL (initial burden)	Reporting	18	1	7.00	2.33	0.00	2.33	2.33	42.00
2024 Amendments – Filing annual audit in Inline XBRL (ongoing burden)	Reporting	18	1	0.00	0.00	4.50	4.50	4.50	81.00
2024 Amendments – Corrective and clarifying amendments to FOCUS Report Part II (initial burden)	Reporting	18	1	5.00	1.67	0.00	1.67	1.67	30.00
2024 Amendments – Aligning FOCUS Report Part IIC with FFIEC Form 031(initial burden)	Reporting	30	1	5.00	1.67	0.00	0.00	1.67	50.00
2024 Amendments – Amendments to FOCUS report signature requirement (initial burden)	Reporting	48	1	1.00	0.33	0.00	0.33	0.33	16.00
2024 Amendments – Removal of oath or affirmation notarization requirement (initial burden)	Reporting	18	1	5.00	1.67	0.00	1.67	1.67	30.00
TOTAL HOURLY BURDEN FOR ALL RESPONDENTS									3,044.67

⁶⁵ 18 respondents x 5 hours = 90 hours.

⁶⁶ 90 hours / 3 years = 30 hours.

* These two line-items have been entered as a single line-item in ROCIS with a total burden of 1,643 hours.

** These two line-items have been entered as a single line-item in ROCIS with a total burden of 512 hours.

13. Costs to Respondents

Rule 18a-7 imposes annual dollar costs on a stand-alone SBSD 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 SBSDs and bank MSBSPs incur to meet the reporting requirements, because banks are already subject to reporting requirements by the prudential regulators.⁶⁷ 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 SBSD or MSBSP already maintain a toll-free number for their customers and already have an Internet website.

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.⁶⁸ As of December 31, 2023, there were approximately eight respondents (eight stand-alone SBSDs and no stand-alone MSBSPs), resulting in an estimated industry-wide cost of **\$5.44 per year.**⁶⁹

Engagement of Accountant for Stand-Alone SBSDs and Stand-Alone MSBSPs: Paragraph (f) of Rule 18a-7 requires stand-alone SBSDs and stand-alone MSBSPs to engage an independent public accountant to provide reports covering the firm's annual reports.⁷⁰ 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.⁷¹ However, since only stand-alone SBSDs are required to file a compliance report,⁷² only they (and not stand-alone MSBSPs) would be required to retain an independent public accountant to review their compliance reports.

⁶⁷ See, e.g., 12 CFR 12.3 (Department of Treasury); 12 CFR 219.21 *et seq.* (Federal Reserve); 12 CFR 344.4 (FDIC).

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

⁶⁹ \$0.68 per firm x 8 stand-alone SBSDs and stand-alone MSBSPs = \$5.44 per year.

⁷⁰ See 17 CFR 240.18a-7(f).

⁷¹ See *Broker-Dealer Reports; Final Rule*, Exchange Act Release No. 70073 (July 30, 2013), 78 FR 51910, 51963 (Aug. 21, 2013).

⁷² See 17 CFR 240.18a-7(c)(1)(i)(B).

Therefore, the Commission estimates that paragraph (f) of Rule 18a–7 imposes 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.**⁷³

The Commission estimates that paragraph (f) of Rule 18a–7 imposes on stand-alone SBSBs that are exempt from Rule 18a-4 an annual cost of \$303,000 per firm,⁷⁴ 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.**⁷⁵ 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,⁷⁶ 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.**⁷⁷

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 planning to change its fiscal year.⁷⁸ 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.**⁷⁹

2024 Rule Amendments

Filing Annual Audit in Inline XBRL – Initial Cost: The Commission is requiring stand-alone SBSBs and stand-alone MSBSPs to file the annual audited report and supporting schedules in Inline XBRL. On average, respondents are estimated to incur \$1,600 in external cost for the first response to be tagged in Inline XBRL. There are 18 respondents (18 stand-alone SBSBs and 0 stand-alone MSBSPs, including foreign firms relying on substituted compliance), resulting in a total initial industry-wide external cost of \$28,800,⁸⁰ or **\$9,600** on an annualized basis.⁸¹

Filing Annual Audit in Inline XBRL – Ongoing Cost: The Commission is requiring stand-alone SBSBs and stand-alone MSBSPs to file the annual audited report and supporting schedules in Inline XBRL. On average, respondents are estimated to incur \$1,000 in external

⁷³ $\$300,000 \text{ per year} \times 0 \text{ stand-alone MSBSPs} = \0 per year.

⁷⁴ $\$300,000 \text{ per year (financial statements)} + \$3,000 \text{ per year (exemption report)} = \$303,000 \text{ per year.}$

⁷⁵ $\$303,000 \text{ per year} \times 8 \text{ stand-alone SBSBs} = \$2,424,000 \text{ per year.}$

⁷⁶ $\$300,000/\text{year (financial statements)} + \$150,000/\text{year (compliance report)} = \$450,000/\text{year.}$

⁷⁷ $\$450,000 \text{ per year} \times 0 \text{ stand-alone SBSBs} = \0 per year.

⁷⁸ As of March 2024, it cost 68 cents to send a one-ounce retail domestic first-class letter through the U.S. Postal Service.

⁷⁹ $\$0.68 \text{ per year} \times 1 \text{ stand-alone SBSB or stand-alone MSBSP} = \0.68 per year.

⁸⁰ $18 \text{ respondents} \times \$1,600 = \$28,800.$

⁸¹ $\$28,800 / 3 \text{ years} = \$9,600.$

cost to tag responses in Inline XBRL on an ongoing basis. There are 18 respondents (18 stand-alone SBSDs and 0 stand-alone MSBSPs, including foreign firms relying on substituted compliance), resulting in a total ongoing annual industry-wide internal burden of **\$18,000**.⁸²

Total Industry Costs Burden: Therefore, the total industry-wide dollar cost of Rule 18a-7 is estimated to be **\$2,451,606.12 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
					[C ÷ 3 years]		[D + E]	[F * B]	[G * A]
Statement Regarding Independent Public Accountant	Reporting	8	1	\$0.00	\$0.00	\$0.68	\$0.68	\$05.44	\$5.44
Engagement of Accountant for Stand-Alone SBSDs exempt from 18a-4	Reporting	8	1	\$0.00	\$0.00	\$303,000	\$303,000	\$303,000	\$2,424,000
Notice of Change in Fiscal Year	Reporting	1	1	\$0.00	\$0.00	\$0.68	\$0.68	\$0.68	\$0.68
2024 Amendments – Filing annual audit in Inline XBRL (initial cost)	Reporting	18	1	\$1,600.00	\$533.33	\$0.00	\$533.33	\$533.33	\$9,600.00
2024 Amendments – Filing annual audit in Inline XBRL (ongoing cost)	Reporting	18	1	\$0.00	\$0.00	\$1,000.00	\$1,000.00	\$1,000.00	\$18,000.00
TOTAL COST FOR ALL RESPONDENTS									\$2,451,606.12

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

The most recent hour and cost burdens, submitted to OMB as part of a routine extension on June 3, 2024, was 2,795.67 hours and \$2,424,015.97. This current submission requests approval for information collections in connection with the Commission’s 2024 rulemaking. The current burden of 3,044.67 hours and \$2,451,606.12 represents an increase of approximately 249 hours and \$27,590.15, respectively. The increase in burden is due to the revisions in the 2024 rule amendments. The burdens that were submitted to OMB in the June 2024 routine extension are not affected by the rule amendments and are not being changed in this supporting statement, except that the postage cost of \$9.85 to mail the annual reports is no longer applicable in light of the electronic filing requirement.

⁸² 18 respondents x \$1,000 = \$18,000.

The Commission previously submitted a proposed revision for the rule amendments on April 19, 2023. We note that this revision includes two new information collections that were not in the April 2023 proposed revision: (1) aligning FOCUS Report Part IIC with FFIEC Form 031, and (2) removal of oath or affirmation notarization requirement for annual audited reports. As explained above, the amendments to FOCUS Report Part IIC was inadvertently left out of the April 2023 supporting statement and the Commission removed the oath or affirmation notarization requirement of annual audits after considering public comments. These items are expected to either have no ongoing burden or reduce the ongoing burden; however, the Commission is estimating some initial burdens for firms to become familiar with these changes.

In addition, some of the burdens have changed since the 2023 proposal since the Commission has, after considering public comments, increased the burden and cost estimates for Inline XBRL tagging of the relevant documents.

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
2024 Amendments – Filing annual audit in Inline XBRL (initial burden)	42.00	0	42.00	New requirements of the 2024 rule amendment
2024 Amendments – Filing annual audit in Inline XBRL (ongoing burden)	81.00	0	81.00	New requirements of the 2024 rule amendment
2024 Amendments – Corrective and clarifying amendments to FOCUS Report Part II (initial burden)	30.00	0	30.00	New requirements of the 2024 rule amendment
2024 Amendments – Aligning FOCUS Report Part IIC with FFIEC Form 031(initial burden)	50.00	0	50.00	New requirements of the 2024 rule amendment
2024 Amendments – Amendments to FOCUS report signature requirement (initial burden)	16.00	0	16.00	New requirements of the 2024 rule amendment
2024 Amendments – Removal of oath or affirmation notarization requirement (initial burden)	30.00	0	30.00	New requirements of the 2024 rule amendment

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
Postage costs of mailing annual reports	0	\$9.85	\$(9.85)	Requirement eliminated by the 2024 rule amendments
2024 Amendments – Filing annual audit in Inline XBRL (initial cost)	\$9,600.00	0	\$9,600.00	New requirements of the 2024 rule amendment

2024 Amendments – Filing annual audit in Inline XBRL (ongoing cost)	\$18,000.00	0	\$18,000.00	New requirements of the 2024 rule amendment
---	-------------	---	-------------	---

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.