

**SUPPORTING STATEMENT for the Paperwork Reduction Act Information Collection  
Submission for Rule 18a-1 – Net capital requirements for security-based swap dealers for  
which there is not a prudential regulator  
3235-0701**

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

**A. JUSTIFICATION**

**1. Information Collection Necessity**

On June 21, 2019, in accordance with Section 764 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”),<sup>1</sup> which added section 15F to the Securities Exchange Act of 1934 (the “Exchange Act”),<sup>2</sup> the Securities and Exchange Commission (the “Commission”) adopted Rule 18a-1 (17 CFR 240.18a-1) to establish net capital requirements for nonbank security-based swap dealers that are not also broker-dealers registered with the Commission (“stand-alone SBSDs”).<sup>3</sup> The rule includes several collection of information requirements.

First, under paragraphs (a)(2) and (d) of Rule 18a-1, a stand-alone SBSD may apply to the Commission to be authorized to use internal models to compute net capital. As part of the application process, a stand-alone SBSD is required to provide the Commission staff with, among other things: (1) a comprehensive description of the firm’s internal risk management control system; (2) a description of the value-at-risk (“VaR”) models the firm will use to price positions and compute deductions for market risk; (3) a description of the firm’s internal risk management controls over the VaR models, including a description of each category of person who may input data into the models; and (4) a description of the back-testing procedures that that firm will use to review the accuracy of the VaR models. In addition, under Rule 18a-1, a stand-alone SBSD authorized to use internal models must review and update the models it uses to compute market and credit risk, as well as back-test the models.

Second, under paragraph (f) of Rule 18a-1, a stand-alone SBSD is required to comply with certain requirements of Exchange Act Rule 15c3-4 (17 CFR 240.15c3-4). Rule 15c3-4 requires OTC derivatives dealers and firms subject to its provisions to establish, document, and maintain a system of internal risk management controls to assist the firm in managing the risks associated with business activities, including market, credit, leverage, liquidity, legal, and operational risks.

Third, for purposes of calculating “haircuts” on credit default swaps, paragraph (c)(1)(vi)(B)(1)(iii) of Rule 18a-1 requires stand-alone SBSDs that are not using internal models

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

<sup>2</sup> See 15 U.S.C. 78o-10(e)(2)(B).

<sup>3</sup> See *Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital Requirements for Broker-Dealers*, Exchange Act Release No. 86175.

to use an industry sector classification system that is documented and reasonable in terms of grouping types of companies with similar business activities and risk characteristics.

Fourth, under paragraph (h) of Rule 18a-1, stand-alone SBSBs are required to provide the Commission with certain written notices with respect to equity withdrawals.

Fifth, under paragraph (c)(5) of Appendix D to Rule 18a-1 (17 CFR 240.18a-1d), stand-alone SBSBs are required to file with the Commission two copies of any proposed subordinated loan agreement (including nonconforming subordinated loan agreements) at least 30 days prior to the proposed execution date of the agreement. The rule also requires an SBSB to file with the Commission a statement setting forth the name and address of the lender, the business relationship of the lender to the SBSB, and whether the SBSB carried an account for the lender effecting transactions in security-based swaps at or about the time the proposed agreement was filed.

Finally, under paragraph (c)(1)(ix)(C) of Rule 18a-1, a stand-alone SBSB may treat collateral held by a third-party custodian to meet an initial margin requirement of a security-based swap or swap customer as being held by the SBSB for purposes of the capital in lieu of margin charge provisions of the rule if certain conditions are met. The conditions include: (1) the execution of an account control agreement governing the terms under which the custodian holds and releases collateral pledged by the counterparty as initial margin that is a legal, valid, binding, and enforceable agreement under the laws of all relevant jurisdictions, including in the event of bankruptcy, insolvency, or a similar proceeding of any of the parties to the agreement, and that provides the security-based swap dealer with the right to access the collateral to satisfy the counterparty's obligations to the security-based swap dealer arising from transactions in the account of the counterparty; and (2) the SBSB maintains written documentation of its analysis that in the event of a legal challenge the relevant court or administrative authorities would find the account control agreement to be legal, valid, binding, and enforceable under the applicable law, including in the event of the receivership, conservatorship, insolvency, liquidation, or a similar proceeding of any of the parties to the agreement.<sup>4</sup>

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

The requirements in Rule 18a-1 are an integral part of the Commission's financial responsibility program for stand-alone SBSBs. The program is designed to ensure that stand-alone SBSBs maintain sufficient liquidity at all times to meet all unsubordinated obligations of their customers and counterparties and, should a nonbank SBSB fail, that there are sufficient resources for an orderly liquidation. These information collections facilitate the monitoring of the financial condition of nonbank SBSBs by the Commission.

Furthermore, the program is designed to protect the financial stability of the U.S. financial and banking system from the failure of a given stand-alone SBSB. The information collections under Rule 18a-1 provide the Commission with visibility into the liquidity and market risk profiles of stand-alone SBSBs, as well as meaningful plans on how stand-alone SBSBs intend to manage risks.

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<sup>4</sup> The record preservation requirements for the information collections are in Rule 18a-6, 17 CFR 240.18a-6.

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

The information collections do not require that respondents use any specific information technology system. The other information collections involve written notices, agreements, plans, and procedures, and do not benefit from specialized information technology.

### **4. Duplication**

This information collection does not duplicate any existing information collection.

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

The information collections required under Rule 18a-1 do not place burdens on small entities. The stand-alone SBSs subject to the information collections under the rule are not small entities.

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

If the required information collections are not conducted or are conducted less frequently, the protection afforded to investors and the U.S. financial system would be diminished.

### **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**

The information collected by the Commission under Rule 18a-1, as adopted, is kept confidential to the extent permitted by the Freedom of Information Act (5 U.S.C. § 552 *et seq*).

### **11. Sensitive Questions**

The Information Collection does not collect information about individuals; therefore, a PIA, SORN, and PAS are not required.

## 12. Information Collection Burden

There are currently 10 firms subject to Rule 18a-1. Of these firms, 4 firms use internal models to compute net capital, and the remaining 6 firms do not use internal models. The Commission expects that approximately two new firms may be subject to Rule 18a-1 in the next three years, for a total of 12 potential firms subject to Rule 18a-1. Of the 2 new firms expected to register with the Commission in the next three years, 1 firm is expected to use internal models to compute net capital, and the other firm is not expected to use internal models to compute net capital.<sup>5</sup>

### VaR Models (Rule 18a-1(a)(2) and (d))

There are 4 stand-alone SBSDS that use internal models to compute net capital under paragraphs (a)(2) and (d) of Rule 18a-1. The staff also expects one new firm to apply to use models. Based on past experience with broker-dealers that applied to use internal models to compute net capital under Exchange Act Rule 15c3-1 and related Appendix E to that rule, the Commission staff estimates that a stand-alone SBSDS will spend approximately 750 hours to create its model and risk control systems, as well as compiling its application for approval to use the model. The Commission initially estimated that 4 stand-alone SBSDS would apply to use internal models. As four firms now use internal models, and a new firm is expected to apply to use models, there is only one new respondent. Therefore, the burden for an SBSDS to create its model and risk control systems, as well as compile its application for approval to use the model, will result in a one-time hour burden of 750 recordkeeping hours per stand-alone SBSDS and an industry wide one-time burden of 750 hours, **for an annualized burden of 250 hours.**<sup>6</sup>

In addition, the staff estimates that these firms will then spend 4,200 hours per year reviewing and updating their VaR models, and also 480 hours per year backtesting those models against available data. **That results in a total annual industry-wide ongoing recordkeeping burden of 23,400 hours.**<sup>7</sup>

### Risk Management Control System (Rule 18a-1(f))

Paragraph (f) of Rule 18a-1 requires that firms subject to the rule comply with certain provisions of Exchange Act Rule 15c3-4. There are 10 firms that are subject to Rule 18a-1, and the Commission expects two additional firms to register in the next three years that would also

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<sup>5</sup> In the 2022 supporting statement, there were: 4 stand-alone SBSDS that used internal models to compute net capital, and 1 firm that did not use internal models to compute net capital. Further, at the time, the staff did not expect any new stand-alone SBSDS in the following three years. This yielded a total of 5 stand-alone SBSDS that were accounted for in the 2022 supporting statement.

<sup>6</sup> 750 hours x 1 expected new stand-alone SBSDS = 750 hours. These one-time costs are annualized over three years resulting in 250 recordkeeping hours per respondent (750 hours/3 = 250). The Commission staff estimates that the hours will be used to: (1) develop and submit models and the description of risk management control systems to the Commission; (2) to create and compile the various documents to be included with the application; and (3) to work with the Commission staff through the application process. The hours burden also includes approximately 100 hours for an in-house attorney to complete a review of the application.

<sup>7</sup> (4,200 hours + 480 hours) x 5 stand-alone SBSDS = 23,400 hours.

be subject to Rule 18a-1. (Certain other stand-alone SBSBs elect the alternative compliance mechanism under Exchange Act Rule 18a-10.) The Commission initially estimated that there would be 6 firms that would be subject to Rule 18a-1, but as stated above, there are currently 10 firms subject to Rule 18a-1, and the Commission expects that 2 additional firms may be subject to Rule 18a-1 in the next three years. The Commission staff estimates that these additional 6 firms will bear a one-time burden of 2,000 hours to initially set up risk management control systems.<sup>8</sup> This will result in an estimated industry-wide one-time internal hour burden of approximately 12,000 recordkeeping hours, **for an annualized burden of 4,000 hours,**<sup>9</sup>

Firms subject to Rule 18a-1 would also bear an annual burden of 250 hours per year.<sup>10</sup> **This will result in an estimated industry-wide annual hour burden of approximately 3,000 recordkeeping hours per year.**<sup>11</sup>

#### Industry Sector Classification

Paragraph (c)(1)(vi)(B)(1)(iii) of Rule 18a-1 requires stand-alone SBSBs that are not using internal models to use an industry sector classification system that is documented and reasonable in terms of grouping types of companies with similar business activities and risk characteristics.

There are currently 6 stand-alone SBSBs that do not use internal models and are not subject to this requirement. In addition, the Commission estimates that an additional stand-alone SBSB will register within the next three years that will also not use internal models and be subject to this requirement. The Commission expects that these stand-alone SBSBs will use external classifications systems because of reduced costs and ease of use as a result of the common usage of several of these classification systems in the financial services industry. The Commission staff estimates that each firm will spend approximately 1 hour per year documenting the industry sectors. **This results in an estimated industry-wide annual internal hour burden of approximately 7 recordkeeping hour per year.**<sup>12</sup>

#### Commission Notices (Rule 18a-1(h))

Paragraph (h)(1) of Rule 18a-1 requires that stand-alone SBSBs file written notices with the Commission when certain amounts of equity are withdrawn from the firm. Based on the staff's experience with similar withdrawal notices filed by broker-dealers under Rule 15c3-1, the staff estimates that the 12 stand-alone SBSBs will file an average of 2 notices per year. It

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<sup>8</sup> The one-time estimate of 2,000 hours and the annual estimate of 250 hours, immediately below, is based on the estimates for OTC derivatives dealer burdens to implement the same controls under Rule 15c3-1. *See OTC Derivatives Dealers*, 62 FR 67940.

<sup>9</sup> 6 stand-alone SBSBs x 2,000 hours = 12,000 hours. This results in an annualized burden of approximately 667 hours (2,000 hours/3 = 666.67).

<sup>10</sup> The one-time estimate of 2,000 hours and the annual estimate of 250 hours are based on the estimates for OTC derivatives dealer burdens to implement the same controls under Rule 15c3-1. *See OTC Derivatives Dealers*, 62 FR 67940.

<sup>11</sup> 12 stand-alone SBSBs x 250 hours/year = 3,000 hours/year.

<sup>12</sup> 7 non-model stand-alone SBSBs x 1 hour/year = 7 hour/year.

requires an estimated 30 minutes to file these notices, **for an annual industry-wide reporting burden of 6 hours.**<sup>13</sup>

#### Subordinated Loan Agreements

Under paragraph (c)(5) of Appendix D to Rule 18a-1, stand-alone SBSBs are required to file with the Commission two copies of any proposed subordinated loan agreement (including nonconforming subordinated loan agreements) at least 30 days prior to the proposed execution date of the agreement. The rule also requires an SBSB to file with the Commission a statement setting forth the name and address of the lender, the business relationship of the lender to the SBSB, and whether the SBSB carried an account for the lender effecting transactions in security-based swaps at or about the time the proposed agreement was filed. There are currently 10 stand-alone SBSBs. The Commission also expects 2 additional firms to register within the next three years to be subject to this requirement. The Commission also previously estimated that 6 stand-alone SBSBs would be subject to this requirement. The staff now estimates that the additional 6 stand-alone SBSBs will spend 20 hours of internal employee resources drafting or updating its agreement templates, resulting in a one-time industry-wide hour burden of 120 reporting hours, **for an annualized burden of 40 hours.**<sup>14</sup>

Based on its experience with broker-dealers submitting such loan agreements under a similar requirement under Rule 15c3-1, the staff estimates that each firm will file 1 subordinated loan agreement per year and that it will take approximately 10 hours to prepare and file the agreement, **resulting in an annual industry-wide hour burden of 120 reporting hours.**<sup>15</sup>

#### Account Control Agreements

Under paragraph (c)(1)(ix)(C) of Rule 18a-1, a nonbank SBSB may treat collateral held by a third-party custodian to meet an initial margin requirement of a security-based swap or swap customer as being held by the nonbank SBSB if certain conditions are met. In particular, the rule requires the execution of an account control agreement governing the terms under which the custodian holds and releases collateral pledged by the counterparty as initial margin. There are currently 10 stand-alone SBSBs. The Commission also expects 2 additional firms to register within the next three years to be subject to this requirement. Based on staff experience with the net capital and customer protection rules, the Commission estimates that the 12 stand-alone SBSBs will enter into approximately 100 account control agreements per year with security-based swap customers and that it will take approximately 2 hours to execute each account control agreement, **resulting in an annual industry-wide third-party hour burden of 2,400 hours.**<sup>16</sup>

The rule also requires SBSBs to maintain written documentation of their legal analysis of the account control agreement. Based on staff experience, the Commission estimates that stand-

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<sup>13</sup> 12 stand-alone SBSBs x 30 minutes/year = 6 hours/year.

<sup>14</sup> 6 stand-alone SBSBs x 20 hours = 120 hours. This amount annualized on an industry-wide basis is 40 hours (120 hours/3 = 40) and is approximately 7 hours per respondent (40 hours/6 stand-alone SBSBs = 6.67 hours).

<sup>15</sup> 12 stand-alone SBSBs x 10 hours/year = 120 hours/year.

<sup>16</sup> 12 stand-alone SBSBs x 100 account control agreements x 2 hours = 2,400 hours.

alone SBSBs will meet this requirement either by obtaining a written opinion of outside legal counsel or through the firm's own "in house" analysis. The Commission estimates that approximately half of the firms will elect to conduct an "in house" analysis. Therefore, the Commission estimates that 5 of the existing firms will elect to conduct an "in house" analysis that will take approximately 20 hours to complete. The Commission initially estimated that 3 firms would do so. With respect to the 2 additional firms that the Commission expects to register in the next three years, the Commission expects 1 of the firms to conduct a written "in house" analysis that will take approximately 20 hours to do so.<sup>17</sup> This would result in an industry-wide one-time burden of 60 hours, **for an annualized burden of 20 hours**.<sup>18</sup>

### 13. Costs to Respondents

#### VaR Models (Rule 18a-1(a)(2) and (d))<sup>19</sup>

There are 4 stand-alone SBSBs that use internal models to compute net capital under paragraphs (a)(2) and (d) of Rule 18a-1. The staff also expects one new firm to apply to use models, and this new firm will incur external costs associated with developing VaR models and applying to the Commission for approval to use them to calculate net capital. The staff estimates that, based upon previous experience with broker-dealers that developed internal models, 25% of these tasks will be handled by outside consultants. This results in 250 hours per respondent. The outside consultants are estimated to charge \$596 per hour. The Commission initially estimated that 4 stand-alone SBSBs would apply to use internal models. As four firms now use internal models, but there is an expected 1 additional firm that may register in the next three years that is expected to use internal models, the industry-wide one-time burden associated with these provisions is \$149,000, **for an annualized burden of \$49,666.67**.<sup>20</sup>

With respect to the external costs associated with annually reviewing, backtesting, and updating VaR models, the staff estimates that, based on previous experience with broker-dealers that developed internal models, 25% of these tasks will be handled by outside consultants. The outside consultants are estimated to charge \$596 per hour resulting in an annual recordkeeping cost of \$687,320 per respondent.<sup>21</sup> **This will result in an annual industry-wide external cost of \$3,486,600**.<sup>22</sup>

As stated above, there are 4 stand-alone SBSBs that use internal models to compute net capital under paragraphs (a)(2) and (d) of Rule 18a-1, and the staff expects 1 additional firm to

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<sup>17</sup> See cost burden below for SBSBs that elect to hire outside counsel.

<sup>18</sup> 3 stand-alone SBSBs x 20 hours = 60 hours. On an annualized basis, this would amount to approximately 7 hours per respondent (20 hours/3 = 6.67 hours) and 20 hours for all respondents.

<sup>19</sup> Note that the two cost burdens for VaR Models (Rule 18a-1(a) and Rule 18a-1(d)) were previously contained in one cost burden in ROCIS but have been separated for clarity.

<sup>20</sup> 1 stand-alone SBSB x 240 hours x \$596/hour = \$149,000. On an annualized basis, this cost would amount to \$49,667 per respondent (\$149,000/3 = \$49,666.67).

<sup>21</sup> (4,200 hours reviewing models + 480 hours backtesting models) = 4,680 hours. 25% x 4,680 hours = 1,170 hours. 1,170 hours x \$596 = \$697,320.

<sup>22</sup> The total industry-wide recordkeeping cost is \$3,486,600 (5 stand-alone SBSBs x \$697,320).

apply to use models in the next three years. Any new firm will incur electing to file an application with the Commission to use a VaR model will incur start-up costs, including information technology costs, to comply with Rule 18a-1. Based on past experience with broker-dealers that applied to use internal models under Rule 15c3-1 and related Appendix E, it is expected that a stand-alone SBSB will incur an average of approximately \$8.0 million to modify its information technology systems to meet the VaR requirements of Rule 18a-1. The Commission previously initially that 4 stand-alone SBSBs would apply to use internal models. As four firms now use internal models, but there is 1 new respondent expected to register in the next three years that will use internal models, the industry-wide one-time burden associated with these provisions is \$8.0 million, **for an annualized burden of \$2,666,666.67.**<sup>23</sup>

#### Risk Control Management System (Rule 18a-1(f))

There are currently 10 stand-alone SBSBs, and the Commission estimates there will be 2 new stand-alone SBSBs that will register in the next three years. The Commission initially estimated that there would be 6 stand-alone SBSBs. Any new firm would incur start-up information technology external costs with respect to setting up a risk control management system. Based on the estimates for similar collections of information, it is expected that a stand-alone SBSB will incur an average cost of approximately \$16,000 for initial hardware and software expenses. Therefore, the industry-wide one-time burden associated with this requirement is \$96,000, **for an annualized burden of \$32,000.**<sup>24</sup>

In addition, the Commission estimates that the average ongoing cost will be approximately \$20,500 per stand-alone SBSB per year. **This will result in an ongoing industry-wide external cost of \$246,000 per year.**<sup>25</sup>

#### Account Control Agreement

Under paragraph (c)(1)(ix)(C) of Rule 18a-1, a nonbank SBSB may treat collateral held by a third-party custodian to meet an initial margin requirement of a security-based swap or swap customer as being held by the nonbank SBSB if certain conditions are met. In particular, the rule requires the execution of an account control agreement governing the terms under which the custodian holds and releases collateral pledged by the counterparty as initial margin that is a legal, valid, binding, and enforceable agreement under the laws of all relevant jurisdictions. In addition, the SBSB must maintain written documentation of its analysis that in the event of a legal challenge the relevant court or administrative authorities would find the account control agreement to be legal, valid, binding, and enforceable under the applicable law.

There are 10 stand-alone SBSBs currently, and the Commission estimates that another 2 stand-alone SBSBs may register in the next three years. The Commission initially estimated that there would be 6 stand-alone SBSBs. Any new firm would engage outside counsel to draft and

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<sup>23</sup> 1 SBSB x \$8.0 million/3 = \$2,666,666.67.

<sup>24</sup> 6 SBSBs x \$16,000 = \$96,000. On an annualized basis, this would amount to approximately \$5,333 per respondent (\$16,000/3 = \$5,333.33) and \$32,000 for all respondents.

<sup>25</sup> 12 SBSBs x \$20,500/year = \$246,000.



review the account control agreement at a cost of \$400 per hour for an average of 20 hours per respondent. As such, there is an industry-wide one-time burden of \$48,000 associated with this requirement, **for an annualized burden of \$16,000.**<sup>26</sup>

As discussed above, the Commission estimates that 5 SBSDs will obtain a written opinion of outside legal counsel instead of conducting the firm’s own “in-house” analysis. The Commission initially estimated that 3 SBSDs would do so. In addition, the Commission expects that there will be 2 additional stand-alone SBSDs that will register in the next three years, and the Commission estimates that 1 of these two new firms may use outside legal counsel and would incur a cost of approximately \$8,000. As such, there is an industry-wide one-time burden of \$24,000 associated with this requirement, **for an annualized burden of \$8,000.**<sup>27</sup>

This chart summarizes the annual hour and cost burdens associated with Rule 18a-1:

Title of Collection	Responses	Hours	Dollars
Rule 18a-1(a) VaR Models Initial Burden	1	250	\$49,667
Rule 18a-1(a) VaR Models Ongoing Burden	5	23,400	3,486,600
18a-1(f) Risk Management Control System Initial Burden	6	4,000	\$32,000
18a-1(f) Risk Management Control System Ongoing Burden	12	3,000	\$246,000
18a-1(c) Industry Sector Classification Ongoing Burden	7	7	
Rule 18a-1(h) Commission Notices Ongoing Burden	12	6	

<sup>26</sup> 6 stand-alone SBSDs x \$400/hour for outside counsel x 20 hours = \$48,000. On an annualized basis, this would amount to approximately \$2,667 per respondent ( $\$48,000/3 = \$16,000$ ).

<sup>27</sup> 3 stand-alone SBSDs x \$8,000 = \$24,000. On an annualized basis, this would amount to approximately \$2,667 per respondent ( $\$24,000/3 = \$8,000$ ) and \$8,000 for all respondents.

Rule 18a-1 Subordinated Loan Agreements  Initial Burden	6	40	
Rule 18a-1 Subordinated Loan Agreements  Ongoing Burden	12	120	
Rule 18a-1(c) Account Control Agreement Opinion of Counsel  Ongoing Burden	12	2,400	
Rule 18a-1(c) Account Control Agreement Legal Analysis (In-house counsel)  Initial Burden	3	20	
Rule 18a-1(c) Account Control Agreement Opinion of Counsel  Initial Burden	6		\$16,000
Rule 18a-1(c) Account Control Agreement Legal Analysis (outside counsel)  Initial Burden	3		\$8,000
Rule 18a-1(d) (VaR Models – IT)  Initial Burden	1		\$2,666,667

#### **14. Cost to Federal Government**

The SEC is in the process of revising its methodologies to estimate annualized costs to the Federal government for all its relevant collections of information. The SEC anticipates that future extensions of this collection of information will reflect the revised methodologies.

## 15. Changes in Burden

The increase in burdens can be attributed to an increase in respondents since the last submission, as well as an increase in the estimated cost of an outside consultant.

Title of Collection	Change in Responses	Change in Hours	Change in Dollars	Reason
Rule 18a-1(a) VaR Models Initial Burden	1	250	\$49,667	Increase in respondents since the last submission + increase in cost of outside consultant
Rule 18a-1(a) VaR Models Ongoing Burden	1	4,680	\$990,600	Increase in respondents since the last submission + increase in cost of outside consultant
18a-1(f) Risk Management Control System Initial Burden	6	4,000	\$32,000	Increase in respondents since the last submission
18a-1(f) Risk Management Control System Ongoing Burden	7	1,750	\$143,500	Increase in respondents since the last submission
18a-1(c) Industry Sector Classification Ongoing Burden	6	6		Increase in respondents since the last submission
Rule 18a-1(h) Commission Notices Ongoing Burden	7	3		Increase in respondents since the last submission

Rule 18a-1 Subordinated Loan Agreements Initial Burden	6	40		Increase in respondents since the last submission
Rule 18a-1 Subordinated Loan Agreements Ongoing Burden	7	70		Increase in respondents since the last submission
Rule 18a-1(c) Account Control Agreement Opinion of Counsel Ongoing Burden	7	1,400		Increase in respondents since the last submission
Rule 18a-1(c) Account Control Agreement Legal Analysis (In-house counsel) Initial Burden	3	20		Increase in respondents since the last submission
Rule 18a-1(c) Account Control Agreement Opinion of Counsel Initial Burden	6		\$16,000	Increase in respondents since the last submission
Rule 18a-1(c) Account Control Agreement Legal Analysis (outside counsel) Initial Burden	3		\$8,000	Increase in respondents since the last submission
Rule 18a-1(d) (VaR Models – IT) Initial Burden	1		\$2,666,667	Increase in respondents since the last submission

#### **16. Information Collected Planned for Statistical Purposes**

Not applicable. The information collection would 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.