

to evaluate the financial and operational risk within the affiliate group of the broker or dealer (including any risks that may affect the reputation of the holding company or the broker or dealer) and to evaluate compliance with the conditions of eligibility for computing certain capital charges pursuant to this Appendix E;

(G) If the disclosure to the Commission of any information required as a condition for the broker or dealer to compute certain capital charges pursuant to this Appendix E would be prohibited by law or otherwise, cooperate with the Commission as needed, including by describing any secrecy laws or other impediments that could restrict the ability of the broker or dealer or any affiliates from providing information on their operations or activities and by discussing the manner in which the holding company and the broker or dealer propose to provide the Commission with adequate assurances of access to information;

(H) For any non-U.S. holding company, consent to the jurisdiction of the Commission and agree to maintain a U.S. registered agent;

(I) Submit to the Commission all material changes to mathematical models and other methods used to calculate allowances for market, credit, and operational risk;

(J) Submit to the Commission all material changes to the internal risk management control system for the affiliate group; and

(K) Acknowledge that, if the holding company fails to comply with any provision of its undertaking, the Commission may, in addition to any other supervisory conditions necessary or appropriate in the public interest and consistent with the protection of investors, increase the multiplication factors the holding company uses to calculate allowances for market and credit risk as defined in § 240.15c3-1g(a)(2) and (a)(3) or impose any regulatory condition with respect to the broker or dealer listed in paragraph (f) of this Appendix E;

(2) As a condition of Commission approval, the documents and information submitted to the Commission by the holding company of the broker or dealer as part of the application of the broker or dealer shall include the following:

(i) A narrative description of the business and organization of the holding company;

(ii) An alphabetical list of the affiliates of the broker or dealer (the "affiliate group"), with an identification of the financial regulator, if any, with

whom the affiliate is registered, and a designation of those affiliates that are material to the holding company ("material affiliates");

(iii) An organizational chart that identifies the holding company, the broker or dealer, and the material affiliates of the broker or dealer;

(iv) Consolidated and consolidating financial statements of the affiliate group as of the end of the quarter preceding the filing of the application;

(v) The following sample computations for the affiliate group:

(A) Allowable capital and allowances for market risk, credit risk, and operational risk, determined pursuant to § 240.15c3-1g(a)(1)—(4); or

(B) A capital assessment calculated pursuant to § 240.15c3-1g(a)(5);

(vi) A detailed list of the categories of positions that the affiliate group holds in its proprietary accounts and a brief description of the method that the holding company proposes to use to calculate allowances for market and credit risk, pursuant to § 240.15c3-1g(a)(2) and (3), on those positions;

(vii) A description of all mathematical models used to price positions and to compute market and credit risk capital charges; a description of the creation, use, and maintenance of the mathematical models; a description of the holding company's internal risk management controls over those models, including a description of persons who may input data into the model and persons who have access to any or all of the model's outputs; a statement regarding whether the firm has developed its own mathematical models; if a mathematical model incorporates empirical correlations across risk categories, a description of the process for measuring correlations; a description of the backtesting procedures the holding company will use to backtest the mathematical model used to calculate maximum potential exposure; a description of how each mathematical model satisfies the qualitative and quantitative requirements set forth in paragraph (e) of this Appendix E; for each mathematical model, a statement that the model is used to analyze and report risk to senior management; and a description of any positions for which the holding company proposes to use an alternative method for computing an allowance for market risk and a description of how that allowance would be determined;

(viii) A description of how the holding company will calculate current exposure;

(ix) A description of how the holding company will calculate the credit risk

weights of counterparties and internal credit ratings of counterparties, if applicable;

(x) A description of how the holding company will calculate its allowance for operational risk;

(xi) For each instance in which a mathematical model used by the broker or dealer to calculate a market risk capital charge or maximum potential exposure for a particular product or counterparty differs from the mathematical model used by the holding company to calculate an allowance for credit risk or maximum potential exposure for that same product or counterparty, a description of the difference(s) between the mathematical models;

(xii) A comprehensive description of the risk management control system for the affiliate group that the holding company has established to manage affiliate group-wide risk, including market, credit, liquidity and funding, legal and compliance, and operational risks, and how that system satisfies the requirements of § 240.15c3-4; and

(xiii) Sample risk reports provided to the persons who are responsible for managing group-wide risk that the holding company will provide to the Commission pursuant to § 240.15c3-1g(b)(1)(viii);

(3) The application of the broker or dealer shall be supplemented by such other information or documents relating to the internal risk management control system, mathematical models, and financial position of the broker or dealer or the holding company of the broker or dealer that the Commission may request to complete its review of the application;

(4) The application shall be considered filed when received at the Commission's principal office in Washington, DC. All information and documents submitted in connection with the application will be accorded confidential treatment;

(5) If any of the information or documents filed with the Commission as part of the application of the broker or dealer is found to be or becomes inaccurate before the Commission approves the application, the broker or dealer must promptly notify the Commission and provide the Commission with a description of the circumstances in which the information or documents was found to be or has become inaccurate along with updated, accurate information and documents;

(6) The Commission may approve the application, in whole or in part, subject to any conditions or limitations the Commission may require if the Commission finds it to be necessary or