

to submit amendments to its Notice of Intention if certain information became incorrect or if it made certain material changes. The Commission designed Rule 17i-2 so an IBHC could compile and submit existing documents with its Notice of Intention (as opposed to requiring that an IBHC create additional documents) in order to decrease any costs or burdens involved with this proposed rule.

As stated previously in section IV.C., we estimate that approximately six IBHCs will file Notices of Intention to become SIBHCs. We estimate that each IBHC that files a Notice of Intention to become supervised by the Commission would take approximately 900 hours to draft a Notice of Intention, compile the various documents to be included with the Notice of Intention, and work with the Commission staff. Further, we believe that an IBHC would have an attorney review its Notice of Intention, and we estimate that it would take the attorney approximately 100 hours to complete such a review. Consequently, we estimate the total burden for all six firms to be approximately 6,000 hours.¹⁰⁴ We believe this would be a one-time burden.

The estimates of the initial burden for proposed Rule 17i-2 are based on the estimates the Commission made in adopting Rule 17c3-1f, which contained similar requirements.¹⁰⁵ Our burden estimates for proposed Rule 17i-2 are lower than our burden estimates relating to the application provisions of Rule 15c3-1f because our estimates relating to the creation of mathematical models have been removed from the estimate. Proposed Rule 17i-2 does not require that mathematical models be created. In addition, the requirement to create a model is not a paperwork burden. Accordingly, the costs associated with creation of mathematical models are included in the Cost-Benefit discussion regarding proposed Rule 17i-7 (which would require that an SIBHC calculate allowances for market and credit risk using mathematical models). The estimates we used here were also adjusted based on the staff's experience in implementing the OTC derivatives dealer rules. We based our burden estimates for proposed Rule 17i-2 on our burden estimates for Rule 15c3-1f because the application provisions of Rule 15c3-1f and proposed Rule 17i-2 are substantially similar and because no comments were received regarding the burden estimates for Rule 15c3-1f.

Rule 17i-2 also requires that an IBHC/SIBHC¹⁰⁶ update its Notice of Intention on an ongoing basis. We estimate, based on the staff's experience, that an IBHC/SIBHC will take approximately 2 hours each month to update its Notice of Intention, as necessary. Thus, we estimate that it will take the six IBHC/SIBHCs, in the aggregate, about 144 hours each year¹⁰⁷ to update their Notices of Intention.

3. Proposed Rule 17i-3

Proposed Rule 17i-3 would provide a method by which an SIBHC could withdraw from Commission supervision as an SIBHC. The proposed rule would require that an SIBHC file a notice of withdrawal with the Commission stating that the SIBHC wished to withdraw from Commission supervision.

Due to the benefits and costs associated with becoming supervised by the Commission as an SIBHC, we believe that an IBHC would carefully consider filing a Notice of Intention. For PRA purposes only, we estimate that one SIBHC may wish to withdraw from Commission supervision as an SIBHC over a ten-year period.

We estimate, based on the staff's experience, that an SIBHC that withdraws from Commission supervision as an SIBHC would take one attorney approximately 24 hours to draft a withdrawal notice and submit it to the Commission. Further, we believe the SIBHC would have a senior attorney or executive officer review the notice of withdrawal before submitting it to the Commission, and that it would take such person 8 hours to conduct such a review. Thus, we estimate that the annual, aggregate burden of withdrawing from Commission supervision as an SIBHC would be approximately 3.2 hours each year.¹⁰⁸

4. Proposed Rule 17i-4

Proposed Rule 17i-4 would require an SIBHC to have in place a risk management control system appropriate for its business and organization. An SIBHC would need to consider, among other things, the sophistication and experience of its operations, risk management, and audit personnel, as

well as the separation of duties among these personnel, when designing and implementing its internal control system's guidelines, policies, and procedures. These requirements are designed to result in control systems that would adequately address the risks posed by the firm's business and the environment in which it is being conducted. In addition, this would enable an SIBHC to implement specific policies and procedures unique to its circumstances.

Proposed Rule 17i-4 also would require that an SIBHC periodically review its internal risk management control system for integrity of the risk measurement, monitoring, and management process, and accountability, at the appropriate organizational level, for defining the permitted scope of activity and level of risk.

In implementing its policies and procedures, an SIBHC would be required to document and record its system of internal risk management controls. In particular, an SIBHC would be required to document its consideration of certain issues affecting its business when designing its internal controls. An SIBHC would also be required to prepare and maintain written guidelines that discuss its internal control system.

The information to be collected under proposed Rule 17i-4 would be essential to the supervision of SIBHCs and their compliance with the Commission's proposed rules. More specifically, the requirement that an SIBHC document the planning, implementation, and periodic review of its risk management controls is designed to assure that all pertinent issues are considered, that the risk management controls are implemented properly, and that they continue to adequately address the risks faced by SIBHCs.

As stated previously in section IV.C., we estimate that approximately six IBHCs will file Notices of Intention to be supervised by the Commission as SIBHCs. We further estimate that the average amount of time an SIBHC would spend assessing its present structure, businesses, and controls, and establishing and documenting its risk management control system would be about 3,600 hours, and that this would be a one-time burden. In addition, we estimate that an SIBHC would spend approximately 250 hours each year maintaining its risk management control system. Thus, we estimate that the total initial burden for all SIBHCs would be

¹⁰⁴ (900 hours + 100 hours) × 6 IBHCs/SIBHCs = 6,000 hours.

¹⁰⁵ See 17 CFR 240.15c3-1f(a).

¹⁰⁶ An IBHC would be required to review and update its Notice of Intention to the extent it becomes inaccurate prior to a Commission determination, and an SIBHC would be required to update its Notice of Intention if it changes a mathematical model used to calculate its risk allowances pursuant to proposed Rule 17i-7 after a Commission determination was made.

¹⁰⁷ (2 hours × 12 months each year) × 6 SIBHCs = 144.

¹⁰⁸ (1 SIBHC / every 10 years) × (24 hours to draft + 8 hours to review) = 3.2 hours.