

approximately 21,600 hours<sup>109</sup> and the continuing annual burden would be about 1,500 hours.<sup>110</sup>

The estimates of the initial and annual burdens for proposed Rule 17i-4 are based on the estimates the Commission made in adopting Rule 15c3-4. Proposed Rule 17i-4 makes Rule 15c3-4 applicable to SIBHCs. Our burden estimates for proposed Rule 17i-4 are higher than our burden estimates for Rule 15c3-4 because an SIBHC would be establishing, documenting, and maintaining a system of internal risk management controls for the affiliate group, and not just for one firm. We based our burden estimates for proposed Rule 17i-4 on our burden estimates for Rule 15c3-4 because Rule 15c3-4 and proposed Rule 17i-4 are substantially similar and because no comments were received regarding the burden estimates for Rule 15c3-4.

Internationally active firms generally already have in place risk management practices, and will generally review and improve their risk management practices in the near future despite these rules. However, we recognize that, to the extent an IBHC presently has a group-wide internal risk management control system, those systems may not take into account all of the elements and issues required by proposed Rule 17i-4. In addition, these firms may not have documented their consideration of these elements and issues, or other aspects of their internal risk management control systems.

#### 5. Proposed Rule 17i-5

Pursuant to proposed Rule 17i-5, an SIBHC would be required to make and keep current certain records relating to its business. In addition, it would be required to preserve those and other records for certain prescribed time periods. The purpose of this rule is to require that the SIBHC create and maintain records that would allow the Commission to evaluate SIBHC compliance with the rules to which it is subject. We expect that any additional burden under the proposed rule would be minimal because the information that would be called for under the proposed rule is information a prudent IBHC that manages risk on a group-wide basis would maintain in the ordinary course of its business.

Pursuant to proposed Rule 17i-5, an SIBHC would be required to make and keep records reflecting (i) the results of quarterly stress tests; (ii) that the firm had created a contingency plan to

respond to certain possible funding and liquidity difficulties; and (iii) the basis for credit risk weights. We estimate that the average amount of time an SIBHC would spend to create a record regarding stress tests is about 64 hours each quarter, or approximately 256 hours each year. This estimate is based on the staff's experience working with models and dealing with firms that use models through implementation of the OTC derivatives dealers rules, as well as informal discussions with potential respondents. We further estimate that the average amount of time an SIBHC would spend to create and document a contingency plan regarding funding and liquidity of the affiliate group (which we believe an SIBHC would do only once, not on an ongoing basis) would be about 40 hours. This estimate is based on the staff's experience. In addition, we estimate that the average amount of time an SIBHC would spend to create a record regarding the basis for credit risk weights would be about 30 minutes for each counterparty, and that on average, an SIBHC will establish approximately 20 new counterparty arrangements each year.<sup>111</sup> This estimate is based on informal discussions the staff has had with potential respondents.

Pursuant to proposed Rule 17i-5, an SIBHC would be required to maintain these and other records for at least three years in an easily accessible place. We estimate that the average amount of time an SIBHC would spend to maintain these and other, specified records for three years would be about 24 hours per year per SIBHC. This estimate is based on our present estimates for Rule 17a-4, which previously have been subject to notice and comment and have been approved by OMB.

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. Thus, the total initial burden relating to proposed new Rule 17i-5 for all SIBHCs would be approximately 240 hours<sup>112</sup> and the continuing annual burden would be approximately 1,740 hours.<sup>113</sup>

<sup>111</sup> We estimate that, on average, each firm presently maintains relationships with approximately 1,000 counterparties. Further, it is our understanding that firms generally already maintain documentation regarding their credit decisions, including their determination of credit risk weights, for those counterparties.

<sup>112</sup> (40 hours to create and document a contingency plan regarding funding and liquidity of the affiliate group) × 6 SIBHCs.

<sup>113</sup> ((256 hours to create a record regarding stress tests) + ((30 minutes × 20 counterparties) to create a record regarding the basis for credit risk weights) + (24 hours per year to maintain records)) × 6 SIBHCs.

#### 6. Proposed Rule 17i-6

Proposed Rule 17i-6 would require an SIBHC to file certain monthly and quarterly reports with the Commission, as well as an annual audit report. These reporting requirements are necessary to keep the Commission informed as to the activities of the SIBHC, as well as the financial condition, transactions and relationships involving the affiliate group, and policies, systems for monitoring and controlling financial and operational risks. In addition, these requirements are essential to keeping the Commission informed of the extent to which the SIBHC or its affiliates have complied with Section 17(i) of the Exchange Act and the rules promulgated thereunder. Finally, these reports could also be used to evaluate the activities conducted by these SIBHCs and to anticipate, where possible, how they might be affected by significant economic events.

As stated previously in section IV.C., we anticipate that the proposed rule would affect approximately six SIBHCs. We estimate that, on average, it would take an SIBHC about 8 hours each month to prepare and file the monthly reports required by this rule (or approximately 96 hours per year).<sup>114</sup> We estimate that, on average, it would take an SIBHC about 16 hours each quarter (or 64 hours each year)<sup>115</sup> to prepare and file the quarterly reports required by this rule. We estimate that, on average, it would take an SIBHC about 200 hours to prepare and file the annual audit reports required by this rule. Thus, we estimate that the total annual burden of proposed Rule 17i-6 on all SIBHCs would be approximately 2,160 hours.<sup>116</sup>

These estimates are based on our present estimates for 17a-12, which were previously subject to notice and comment and have been approved by OMB. However the estimates for the monthly and quarterly reports were reduced somewhat due to the fact that an SIBHC would not be required to complete specified forms, but instead could provide the required information to the Commission in its existing format. We believe that our use of existing internal reports will decrease the burden on SIBHCs because an SIBHC may compile existing documents and submit them to the Commission.

<sup>114</sup> (8 hours × 12 months in a year) = 96 hours/year.

<sup>115</sup> (16 hours × 4 quarters in a year) = 64 hours/year.

<sup>116</sup> (96 hours per year to prepare and file monthly reports + 64 hours each year to prepare and file quarterly reports + 200 hours each year to prepare and file annual audit reports) × 6 SIBHCs = 2,160 hours.

<sup>109</sup> (3,600 hours × 6 SIBHCs) = 21,600 hours.

<sup>110</sup> (250 hours per year × 6 SIBHCs) = 1,500 hours per year.