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April 3, 2015

The Honorable Richard Shelby  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Jeb Hensarling  
Chairman  
The Honorable Maxine Waters  
Ranking Member  
Committee on Financial Services  
House of Representatives

Subject: *Securities and Exchange Commission: Security-Based Swap Data Repository  
Registration, Duties, and Core Principles*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission) entitled "Security-Based Swap Data Repository Registration, Duties, and Core Principles" (RIN: 3235-AK79). We received the rule on February 12, 2015. It was published in the *Federal Register* as a final rule on March 19, 2015. 80 Fed. Reg. 14,438.

The final rule has been adopted pursuant to section 763(i) of title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and under the Securities Exchange Act of 1934 (Exchange Act). The rule governs the security-based swap data repository (SDR) registration process, duties, and core principles. The Commission will also be adopting a new registration form. Additionally, the Commission amends several of its existing rules and regulations in order to accommodate SDRs. First, the rule amends Regulation S-T and Exchange Act Rule 24b-2 to clarify that all filings by SDRs, including any confidential portion, and their requests for confidential treatment must be filed electronically. Second, the rule amends Regulation S-T by, among other things, adding a new rule that specifically applies to the electronic filing of SDRs' financial reports.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer  
Managing Associate General Counsel

Enclosure

cc: Brent J. Fields  
Secretary  
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
SECURITIES AND EXCHANGE COMMISSION  
ENTITLED  
"SECURITY-BASED SWAP DATA REPOSITORY REGISTRATION,  
DUTIES, AND CORE PRINCIPLES"  
(RIN: 3235-AK79)

(i) Cost-benefit analysis

The Commission prepared an extensive cost-benefit analysis in conjunction with the final rule. In assessing the economic impact of the SDR Rules and Form SDR, the rule referred to the broader costs and benefits associated with the application of the rules and interpretations as "programmatic" costs and benefits. These include the costs and benefits of applying the substantive title VII requirements to the reporting of transactions by market participants, as well as to the functions performed by market infrastructures, including SDRs, in the global security-based swaps market. The analysis also takes into consideration "assessment costs," which arise from current and future market participants expending effort to determine whether they are subject to the SDR Rules. Current and future market participants could incur expenses in making this determination even if they ultimately are not subject to the SDR Rules. Finally, the analysis considers "compliance costs," which are the costs that SDRs will incur in registering and complying with the SDR Rules.

Based on the analyses, the rule estimated that Rules 13n-1 through 13n-11 and Form SDR will impose on registered SDRs an aggregate total initial one-time estimated dollar cost of \$227,075,600.50. The Commission further estimates that Rules 13n-1 through 13n-11 and Form SDR will impose on registered SDRs a total ongoing annualized aggregate dollar cost of \$145,630,646.10. Finally, the rule estimated that certain non-U.S. persons may incur an aggregate total initial one-time estimated dollar cost of approximately \$7,600 in determining the availability of the SDR Exemption (i.e., Rule 13n-12). The rule states that existing SDRs may experience costs lower than these estimates. Such persons may have in place existing technology systems, policies and procedures, personnel, and compliance regimes that they can use to comply with the SDR Rules. Because the estimates discussed represent the costs of compliance starting from scratch, an existing SDR will most likely experience costs lower than these estimates.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission certified that the final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to title II of the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The Commission published a proposed rule in the *Federal Register* on December 10, 2010. 75 Fed. Reg. 77,306 (corrected at 75 Fed. Reg. 79,320 (Dec. 20, 2010) and 76 Fed. Reg. 2287 (Jan. 13, 2011)). Subsequently, a proposing release was issued in the *Federal Register*. 78 Fed. Reg. 30,968 (May 23, 2013). The Commission subsequently reopened the comment period with the comment period ending on July 22, 2013. 78 Fed. Reg. 30,800 (May 23, 2013). The Commission received 20 comment letters on the proposing release and 6 letters with respect to SDRs prior to the Proposing Release, 3 comment letters that address issues related to SDRs, among others, after the Proposing Release through the Commission's solicitation. In addition, the Commission received other relevant letters on related actions, including four comment letters in response relating directly to the proposed SDR Rules. The Commission also considered relevant comments submitted with respect to proposed "Regulation SBSR," the interim temporary final rule for reporting of security-based swaps transaction data and proposed rules for the registration and regulation of security-based swap execution facilities. The comments that the Commission received on the Proposing Release and the Reopening Release are available on the Commission's Web site at <http://www.sec.gov/comments/s7-35-10/s73510.shtml>. The Commission responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

Certain provisions of the SDR Rules and Form SDR impose new "collection of information" requirements within the meaning of the Paperwork Reduction Act of 1995. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. In accordance with 44 U.S.C. 3507 and 5 C.F.R. 1320.11, the Commission submitted these collections of information to the Office of Management and Budget (OMB) for review. The title of the new collection of information is "Form SDR and Security-Based Swap Data Repository Registration, Duties, and Core Principles." The collection of information was assigned OMB Control No. 3235-0719.

The rule includes categories of obligations that require a collection of information within the meaning of PRA. Specifically, the rule has a number of provisions with registration requirements for Form SDR, and withdrawal from registration SDR duties, data collection and maintenance, and direct electronic access, recordkeeping, reports, disclosure, requirements for the chief compliance officer's compliance reports and financial reports, and other provisions which are relevant to the collection of information. For each of these provisions, the rule further explains the use of each of these collections of information, the respondents to whom they are applicable, the total annual reporting and recordkeeping burden, the mandatory nature of the collection of information, the preservation of confidentiality, and the retention period of recordkeeping requirements. The Commission stated that it revised the burden associated with Form SDR to reflect material incorporated from Form SIP (securities information processor) to accommodate SDRs' registration as SIPs and to reflect a revision to the disclosure of business affiliations. The Commission also stated that it made a change to correct a calculation error, but that other than these changes, the Commission's estimates remain unchanged from the proposed rule. 75 Fed. Reg. at 77,354 (Dec. 10, 2010).

Statutory authorization for the rule

The final rule is authorized by the Securities Exchange Act of 1934, as amended, particularly sections 13(n) and 23(a), 15 U.S.C. 78m(n) and 78w(a), and section 763(i) of title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the review requirements of the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Commission is not subject to the review requirements of the Order.