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April 2, 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: Regulation SBSR—Reporting and Dissemination of Security-Based Swap Information*

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 “Regulation SBSR—Reporting and Dissemination of Security-Based Swap Information” (RIN: 3235-AK80). We received the rule on February 12, 2015. It was published in the *Federal Register* as a final rule on March 19, 2015, with an effective date of May 18, 2015. 80 Fed. Reg. 14,564.

The final rule provides for the reporting of security-based swap information to registered security-based swap data repositories (registered SDRs) or the Commission, and the public dissemination of security-based swap transaction, volume, and pricing information by registered SDRs. Registered SDRs are required to establish and maintain certain policies and procedures regarding how transaction data are reported and disseminated, and participants of registered SDRs that are registered security-based swap dealers or registered major security-based swap participants are required to establish and maintain policies and procedures that are reasonably designed to ensure that they comply with applicable reporting obligations. This rule contains provisions that address the application of the regulatory reporting and public dissemination requirements to cross-border security-based swap activity as well as provisions for permitting market participants to satisfy these requirements through substituted compliance. Finally, this rule will require a registered SDR to register with the Commission as a securities information processor.

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
"REGULATION SBSR—REPORTING AND DISSEMINATION
OF SECURITY-BASED SWAP INFORMATION"
(RIN: 3235-AK80)

(i) Cost-benefit analysis

The Securities and Exchange Commission (Commission) analyzed the costs and benefits of this final rule. The benefits include promoting price discovery and lowering trading costs by improving the level of information to all market participants and by providing a means for the Commission and relevant authorities to gain a better understanding of the trading behaviors of participants in the security-based swap market and to identify large counterparty exposures. Additionally, the Commission believes that the rule will improve risk management by those market participants that choose to supplement their existing risk management programs with publicly disseminated data. Risk management relies on accurate pricing, and valuation models generally yield better estimates with last-sale information being available as input.

The Commission estimates that this final rule will impose an initial one-time cost of approximately \$194,500,000 on all covered entities. The Commission estimates the rule will impose a total ongoing annual aggregate cost of approximately \$275,500,000 for all covered entities. With regard to registered security-based swap data repositories (registered SDRs), the Commission estimates that it will impose an initial aggregate one-time cost of approximately \$63,700,000, and an ongoing aggregate annual cost of approximately \$98,800,000.

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

The Commission certified that this 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 the Act.

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

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

On December 2, 2010, the Commission published a proposed rule. 75 Fed. Reg. 75,207. In May 2013, the Commission re-proposed the entirety of the rule as part of the Cross-Border Proposing Release and re-opened the comment period for it, among other proposed rules. 78 Fed. Reg. 30,967; 78 Fed. Reg. 30,799. The Commission received 86 comments that were specifically directed to the comment file for this rule, of which 38 were comments submitted in response to the re-opening of the comment period. Of the comments directed to the comment

file for the Cross-Border Proposing Release, six referenced this rule specifically, while many others addressed cross-border issues generally, without specifically referring to this rulemaking. The Commission also has considered other comments germane to regulatory reporting or public dissemination of security-based swaps that were submitted in other contexts. The Commission responded to comments in this final rule.

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

The Commission determined that this final rule contains 12 information collection requirements under the Act. These information collection requirements are:

- (1) Rule 901—Reporting Obligations—For Reporting Sides;
 - (2) Rule 901—Reporting Obligations—For Registered SDRs;
 - (3) Rule 902—Public Dissemination of Transaction Reports;
 - (4) Rule 904—Operating Hours of Registered Security-Based Swap Data Repositories;
 - (5) Rule 905—Correction of Errors in Security-Based Swap Information—For Reporting Sides;
 - (6) Rule 905—Correction of Errors in Security-Based Swap Information—Non-Reporting Sides;
 - (7) Rule 906(a)—Other Duties of All Participants—For Registered SDRs;
 - (8) Rule 906(a)—Other Duties of All Participants—For Non-Reporting Sides;
 - (9) Rule 906(b)—Other Duties of All Participants—For All Participants;
 - (10) Rule 906(c)—Other Duties of All Participants—For Covered Participants;
 - (11) Rule 907—Policies and Procedures of Registered Security-Based Swap Data Repositories;
- and
- (12) Rule 908(c)—Substituted Compliance (OMB Control No. 3235–0718).

The costs discussed above are the reporting and costs burdens imposed by these information collection requirements.

Statutory authorization for the rule

The Commission promulgated this final rule under the authority of sections 3C(e), 11A(b), 13(m)(1), 13A(a), 23(a)(1), 30(c), and 36(a) of the Securities Exchange Act of 1934. 15 U.S.C. §§ 78c–3(e), 78k–1(b), 78m(m)(1), 78m–1(a), 78w(a)(1), 78dd(c), and 78mm(a).

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

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

Executive Order No. 13,132 (Federalism)

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