

**Supporting Statement for the  
Notice By Financial Institutions of Government Securities Broker or Government  
Securities Dealer Activities and the  
Notice By Financial Institutions of Termination of Activities as a Government  
Securities Broker or Government Securities Dealer  
(FR G-FIN, FR G-FINW; OMB No. 7100-0224)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the following interagency information collection (OMB No. 7100-0224):

- the Notice By Financial Institutions of Government Securities Broker or Government Securities Dealer Activities (FR G-FIN)
- the Notice By Financial Institutions of Termination of Activities as a Government Securities Broker or Government Securities Dealer (FR G-FINW).

The Government Securities Act of 1986 (the Act) requires financial institutions to notify their appropriate regulatory agency<sup>1</sup> (ARA) of their intent to engage in government securities broker or dealer activity, to amend information submitted previously, and to record their termination of such activity.

The Federal Reserve is the ARA for state member banks, foreign banks, uninsured state branches or state agencies of foreign banks, commercial lending companies owned or controlled by foreign banks, and Edge corporations.<sup>2</sup> The Federal Reserve Board uses the information in its supervisory capacity to measure compliance with the Act. The total annual burden for both notices is estimated to be 12 hours.

**Background and Justification**

The Act established for the first time federal regulation of brokers and dealers of government securities, including banks and other financial institutions. The Act directed the Secretary of the Department of the Treasury (Treasury) to adopt regulations concerning consumer protection as well as the financial, reporting, and recordkeeping responsibilities of brokers and dealers. In promulgating its regulations, the Treasury was directed to consult with the Securities and Exchange Commission (SEC), the Federal Reserve, and the other federal banking regulatory agencies, and to consider the sufficiency of existing laws and regulations of other agencies.

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<sup>1</sup> The agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

<sup>2</sup> At this time, there are no foreign banks, commercial lending companies owned or controlled by foreign banks, or Edge corporations registered as government securities brokers or dealers.

Beginning on July 25, 1987, all financial institutions that serve as government securities brokers and government securities dealers were required to notify their ARA of such activities. The financial institutions notify their ARA on reporting forms prescribed by the Federal Reserve that they are engaged in, or have ceased to be engaged in, the activity. The ARAs enforce these Treasury regulations for financial institutions. The Act required previously unregulated nonbank government securities brokers and dealers to register with the SEC and to join a self-regulatory organization (SRO). The SEC and SROs enforce these Treasury regulations for nonbanks.

Some institutions are exempt from the notice requirement by the Treasury regulation. (For example, an institution whose activity is limited to issuing or forwarding U.S. Savings Bonds.) When an exemption no longer applies, the institution must immediately file a notice.

### **Description of Information Collection**

Pursuant to the Act, the FR G-FIN is the initial notice of government securities broker or dealer activities and is used to amend obsolete information. The information collected on the FR G-FIN includes the company name, all business addresses, names and titles of managers of government securities activities, and whether any person associated with the respondent's government securities activities has been involved in disciplinary proceedings related to securities sales. The FR G-FINW is the notice of termination of government securities broker or dealer activities and collects the company name, address, and contact person responsible for the records associated with the financial institution's activities as a government securities broker or dealer. Both information collections are event-generated.

An important function of the FR G-FIN is to help financial institutions determine whether they must file notices pursuant to the Act. The definitions of government securities broker and government securities dealer in the statute are very broad and if read literally would encompass most banks and many thrift institutions. The Treasury has the authority to exempt institutions from this requirement if it is consistent with the intent of the Act. When the Treasury regulations were first drafted to implement the reporting requirements of the Act, the ARAs worked closely to narrow the class of financial institution required to file the FR G-FIN (the consensus is reflected in Part B of the instructions, Who Must File).

In addition to incorporating Treasury's exemptions from the notice requirement in the reporting instructions, the Federal Reserve has also prominently summarized these exemptions on the cover of the FR G-FIN in a box labeled Notice Requirements in order to provide a simpler and easier means for financial institutions to determine if they are exempt.

The statute requires that the notice contain information concerning the financial institution and any persons associated with the institution as the Board of Governors deems to be in the public interest or necessary for the protection of investors. Respondents are required to report in data item 6 the names of persons directly engaged in the management, direction, or supervision of their government securities dealer activities (rather than all management personnel of the financial institution). This parallels similar information that the SEC requires in the municipal securities dealer registration form (MSD; OMB No. 3235-0083). Data item 7 incorporates a narrower definition of associated person than is contained in the statute (this

narrower definition has been agreed to by the ARAs). The respondent is required to review employee data from other information collections<sup>3</sup> and inform its ARA if any associated person has responded Yes to any questions on those reporting forms related to previous disciplinary actions that would constitute statutory disqualifications against the associated person or any of the employers for whom the associated person worked.

The FR G-FINW termination notice collects the name and address of the financial institution, as well as the name and address of the custodian of the institution's records of its government securities activities.

Currently, the Federal Reserve is the ARA for 16 nonexempt government securities brokers or dealers: 11 state member banks and 5 branches and agencies of foreign banks. Most of these institutions are also registered municipal securities dealers.

### **Time Schedule for Information Collection**

Financial institutions file the FR G-FIN before commencing operations as a government securities broker or dealer. Amended FR G-FIN notices are due within 30 days of the date on which information on the previous notice became inaccurate. Financial institutions that cease to act as a government securities broker or dealer should file the FR G-FINW immediately. Respondents file two copies of the notice directly with the Federal Reserve. The Federal Reserve forwards one copy to the SEC. The notices are available to the public upon request to the Federal Reserve or the SEC. The data are not published.

### **Legal Status**

The Board's Legal Division has determined that 15 U.S.C. 78c and 78o-5 authorizes the Board to require these notices. The Board does not consider these data to be confidential.

### **Consultation Outside the Agency and Discussion of Public Comment**

The Federal Reserve Board staff consults on occasion with staff at the Department of the Treasury concerning these information collection requirements. On February 2, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 5320) requesting public comment for 60 days on the extension, without revision, of the FR G-FIN and FR G-FINW. The comment period for this notice expired on April 5, 2010. The Federal Reserve did not receive any comments. On April 16, 2010, the Federal Reserve published a final notice in the *Federal Register* (75 FR 19973).

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<sup>3</sup> The interagency Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (MSD-4; OMB No. 7100-0100), Treasury's Disclosure Form for Person Associated with a Financial Institution Government Securities Broker or Dealer (G-FIN-4; OMB No. 1535-0089), and the National Association of Securities Dealers', Form U-4, that is not subject to the Paperwork Reduction Act.

## Estimate of Respondent Burden

As shown in the following table, the total annual burden for both notices is estimated to be 12 hours. The estimated average response time is one hour for the FR G-FIN and 15 minutes for the FR G-FINW. Because the frequency of filing these notices is event-generated, it is not possible to predict exactly how many would be filed in a particular year. The estimated number of responses was determined using the number of notices received over the past 5 years. The annual burden of this information collection represents less than 1 percent of the total Federal Reserve System paperwork burden.

|              | <i>Estimated number of responses</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|--------------|--------------------------------------|-------------------------|---|--------------------------------------|
| FR G-FIN     | 10                                   | 1                       | 1 hour                                      | 10                                   |
| FR G-FINW    | 8                                    | 1                       | 15 minutes                                  | <u>2</u>                             |
| <i>Total</i> |                                      |                         |   | 12                                   |

The annual cost to the public of information collection is estimated to be \$1,073.<sup>4</sup>

## Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

## Cost to the Federal Reserve System

Since the notices require no automated processing, the cost to the Federal Reserve System is negligible.

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<sup>4</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (20% Administrative or Junior Analyst @ \$25, 70% Senior Management @ \$100, and 10% Legal Counsel @ \$144). Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2007, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).