

RULE 15Ba2-1

SUPPORTING STATEMENT

A. Justification

1. Necessity for Information Collection

Section 15B of the Securities Exchange Act of 1934 (the "Act") was added in 1975 and requires the registration with the Commission of bank municipal securities dealers. Section 15B(a)(2) of the Act authorizes the Commission to prescribe by rule an application form for registration that requires such information about a municipal securities dealer and its associated persons as is necessary and appropriate in the public interest and for the protection of investors. Rule 15Ba2-1, adopted pursuant to Sections 15B(a)(2), 17(a) and 23(a) of the Act, 15 U.S.C. 78q-4(a)(2), 78q(a) and 78w(a), implements Section 15B(a)(1) and (2) by providing that an application for registration by a bank municipal securities dealer (or a separately identifiable department or division of a bank) must be filed on Form MSD.

2. Purpose of, and Consequences of Not Requiring, the Information Collection

The Commission uses the information contained in Form MSD in determining whether the applicant meets the standards for registration set forth in the Act, for developing a central registry where members of the public may obtain information about particular bank municipal securities dealers, for developing the Commission's examination program, and for developing statistical information about bank municipal securities dealers. The information is provided to the public through the central registry because it is important to give investors an independent means of obtaining or verifying information that they may deem relevant regarding management, supervisory, and certain other persons associated with a municipal securities dealer, with whom they may be entrusting a substantial portion of their assets. Such information includes, but is not necessarily limited to, the qualifications of such persons.

The Commission collects the information contained on Form MSD in compliance with the Privacy Act. A Privacy Act statement is made on Form MSD. 5 U.S.C. 552(a)(e)(3).

3. Role of Improved Information Technology and Obstacles to Reducing Burden

While the Commission continues to improve its systems for information gathering and compilation through the increasing use of computer technology, the burden associated with filing each Form MSD is already negligible. Thus, improved information technology will have little effect in reducing the burden.

4. Efforts to Identify Duplication

The Rule requires that applications for registration as bank municipal securities dealers be filed on Form MSD. The information contained on Form MSD is not duplicative nor is it available

from any other source. In order to avoid unnecessary duplication with respect to the response to question 5, an applicant may submit a copy of the Form MSD-4, the form filed with the federal bank authorities regarding individuals associated with the municipal securities dealer, rather than the otherwise required Schedule A. The information requested on Schedules B and C is not available from any other source and is necessary for the Commission to determine whether or not to grant registration to an applicant.

5. Effect on Small Entities

Although some bank municipal securities dealers using Rule 15Ba2-1 and Form MSD may be characterized as small businesses, the need for information (see 2 above) on bank municipal securities dealers is the same regardless of the size of the dealer.

6. Consequences of Less Frequent Collection

Registrants file the application for registration as bank municipal securities dealers only once; therefore less frequent collection of the information is not possible.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

Not applicable. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The Commission informed representatives from the staffs of the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Municipal Securities Rulemaking Board of the addition of a Privacy Act statement to Form MSD.

9. Payment or Gift to Respondents

Not applicable.

10. Assurance of Confidentiality

A Privacy Act Statement, pursuant to 5 U.S.C. 552(e)(3), has been added to Form MSD generally and is therefore not needed for Schedules A, B and C as the Schedules are incorporated into Form MSD. This statement provides no assurance of confidentiality.

11. Sensitive Questions

Not applicable. No inquiries of a sensitive nature are made.

12. Estimate of Respondent Reporting Burden

The form MSD is a one-time-only form with amendments whenever the form becomes inaccurate. The Commission annually receives approximately 3 new applications on Form MSD and 38 amended applications. The time required to complete Form MSD varies with the size and complexity of the bank municipal securities dealer's proposed operations. Bank personnel that prepare Forms MSD previously indicated that it can take up to 15 hours for a bank with a large operation and many employees to complete the form, but that smaller banks with fewer personnel can complete the form in one to two hours. We believe that most recent applications have come from smaller banks. Also, amendments to form MSD are likely to require significantly less time. We estimate that the annual burden is currently 61.5 hours at an average of 1.5 hours per respondent. (41 Respondents x 1.5 hours/Respondent = 61.5 hours).

The estimated costs to registrants is approximately \$ 4,120 per year based on 41 filings requiring 1.5 hours of managerial and clerical staff time at \$ 67 per hour. (41 Respondents x 1.5 hours/Registrant x \$67/hour = \$4,120).

13. Estimates of Total Annualized Cost Burden

Other than the costs discussed in item 12 above, Rule 15Ba2-1 does not impose any additional costs.

14. Estimate of Cost to Federal Government

On an annual basis, the Commission receives approximately three Forms MSD and 38 amendments to Form MSD. The staff estimates that the cost of processing a single new Form MSD is \$42, and the cost of processing an amendment to form MSD is \$21. Accordingly, the staff estimates the total cost of processing 3 new Forms MSD and 38 amended Forms MSD to be approximately \$798. [(3 New x \$42/New) + (38 Amended x \$21/Amended)]. These figures are based on our computation of the value of staff time devoted to processing forms and the related overhead, valued at 35 percent of staff time. There are no current developmental costs associated with the Rule and Form; however, Form MSD was amended in FY 1980 at an approximate cost of \$2,350. These estimates have been computed based on GSA, Guide to Estimating Reporting Costs (1973).

15. Explanation of Changes in Burden

Not applicable

16. Information Collections Planned for Statistical Purposes

Not applicable. The information collected is not used for tabulation, statistical analysis or publication.

17. Explanation as to Why Expiration Date Will Not Be Displayed

Not applicable. The Commission is not seeking approval to not display the expiration date for OMB approval.

18. Exceptions to Certification

Not applicable. The Commission is not seeking an exception to the certification statement.

B. Collection of Information Employing Statistical Methods

Not applicable. This collection does not involve statistical methods.