

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

Summary

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

- Notice by Financial Institutions of Government Securities Broker or Government Securities Dealer Activities (Form G-FIN) and
- Notice by Financial Institutions of Termination of Activities as a Government Securities Broker or Government Securities Dealer (Form G-FINW).

The Securities Exchange Act of 1934, as amended (the Act) requires financial institutions to notify their appropriate regulatory agency¹ (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.² The Federal Reserve uses the information in its supervisory capacity to measure compliance with the Act. The total annual burden for both notices is estimated to be 5 hours.

Background and Justification

The Act establishes federal regulation of brokers and dealers of government securities, (including banks and other financial institutions) authorizing the Secretary of the Department of the Treasury (Treasury) to adopt regulations concerning the protection of customer securities and the financial responsibility, reporting, and recordkeeping of brokers and dealers in government securities. 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 to consider the adequacy of existing laws and regulations. The Act also required previously unregulated nonbank government securities brokers and dealers to register with the SEC and to join a self-regulatory organization (SRO).

Today, all financial institutions that serve as government securities brokers and government securities dealers are required to notify their ARA when they plan to engage in or

¹ The agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency.

² 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.

cease to engage in government securities broker or dealer activity. This notification is provided through reporting forms prescribed by the Federal Reserve for use by all of the ARAs and the Commission. The ARAs are responsible for enforcing these Treasury regulations for financial institutions. The SEC and SROs enforce Treasury regulations for nonbanks.

Some institutions are exempt from the notice requirement under the Treasury regulations (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 Form G-FIN is used to provide initial notice of government securities broker or dealer activities or to amend information previously provided. The Form G-FIN collects such information as the company name, all business addresses, names and titles of managers of government securities activities, and the names of any persons involved in disciplinary proceedings related to the sale of securities. The Form G-FINW is the notice of termination of government securities broker or dealer activities and collects such information as the company name, address, and contact person responsible for the records associated with the government securities broker or dealer activities. Both information collections are event-generated.

An important function of the Form 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 Form G-FIN (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 prominently summarized these exemptions on the cover sheet of the Form G-FIN 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 such information concerning the financial institution and any persons associated with the institution as the Board deems to be in the public interest or necessary for the protection of investors (15 U.S.C. § 78o-5(a)(1)(B)(ii)). 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 (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 collections³ 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 Form 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 23 nonexempt government securities brokers or dealers: 16 state member banks, and seven 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 Form G-FIN before commencing operations as a government securities broker or dealer. Amended Form 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 Form 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 the Securities and Exchange Act of 1934 authorizes the Board to require these notices. The notices are authorized under 15 U.S.C. § 78o-5(a)(1)(B)(i), which requires a financial institution that is a broker or dealer of government securities to submit written notice advising its ARA that it is a government securities broker or a government securities dealer (Form G-FIN notice), or that it has ceased to act as such (Form G-FINW notice). Section 15C of the Act directs the Board, in consultation with the other ARAs (including the SEC), to prescribe the form and the information collected on these notices for a financial institution that is a government securities broker or dealer (15 U.S.C. § 78o-5(a)(1)(B)(ii)). Further support for the creation and collection of these notices by the Board is found in Treasury regulations, authorized by 15 U.S.C. § 78o-5(b)(1), instructing that any amendments or corrections to a financial institution's status as a government securities broker or dealer also be filed with the ARA on the Form G-FIN notice (17 C.F.R. § 400.5(b)).

Under the Act, the Treasury is authorized to exempt any government securities broker or dealer, or class thereof, from the notice requirement of section 78o-5(a)(1)(B) (15 U.S.C. § 78o-5(a)(5)). Thus, the obligation to file the notices with the Board is mandatory for those financial

³ The interagency Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-4; OMB No. 7100-0100), Treasury's Disclosure Form for Person Associated with a Financial Institution Government Securities Broker or Dealer (Form G-FIN-4; OMB No. 1535-0089), and the Financial Industry Regulatory Authority's (FINRA) Form U-4 (this form is not subject to the Paperwork Reduction Act).

institutions for which the Board serves as the ARA, unless exempted from the notice filing requirement under the Treasury’s regulations (17 CFR Part 401). When an exemption no longer applies, the institution must immediately file a notice. The filing of these notices is event generated. The notices are made available to the public (15 U.S.C. § 78o-5(a)(1)(B)(iii)), so no confidentiality issue arises.

Consultation Outside the Agency

The Board consults on occasion with the Treasury concerning these information collection requirements. On February 29, 2016, the Board published a notice in the *Federal Register* (81 FR 10248) requesting public comment for 60 days on the extension, without revision, of the Form G-FIN and Form G-FINW. The comment period for this notice expired on April 29, 2016. The Board did not receive any comments. On May 26, 2016, the Board published a final notice in the *Federal Register* (81 FR 33533).

Estimate of Respondent Burden

As shown in the following table, the total annual burden for both notices is estimated to be five hours. The estimated average response time is one hour for the Form G-FIN and 15 minutes for the Form 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 in the past. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Form G-FIN	4	1	1.00	4
Form G-FINW	2	1	0.25	$\frac{1}{2}$
<i>Total</i>				5

The total annual cost to the public of information collection is estimated to be \$266.⁵

Sensitive Questions

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

⁴ Of the respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

⁵ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$65, 15% Lawyers at \$66, and 10% Chief Executives at \$89). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2015*, published March 30, 2016 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

OMB guidelines.

Estimate of Cost to the Federal Reserve System

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