

SUPPORTING STATEMENT

UNIFORM APPLICATION/UNIFORM TERMINATION FOR MUNICIPAL SECURITIES PRINCIPAL OR REPRESENTATIVE

(OMB No. 3064-0022)

INTRODUCTION

The FDIC is requesting OMB approval to extend, without change, the information collection entitled “Uniform Application and Termination Notice for Municipal Securities Principal or Representative Associated with a Bank Municipal Securities Dealer.” The current clearance for the collection expires on March 31, 2018. There is no change in the method or substance of the collection. An insured state nonmember bank that serves as a municipal securities dealer must file Form MSD-4 or Form MSD-5, as applicable, to permit an employee to become associated with, or to terminate the association with, the municipal securities dealer. The filing requirements are based on rules promulgated by the Municipal Securities Rulemaking Board under the authority of the 1975 Amendments to the Securities Exchange Act of 1934 (15 U.S.C. 78o-4).

A. JUSTIFICATION

1. Circumstances and Need

The 1975 Amendments to the Securities Exchange Act of 1934 established a comprehensive framework for the regulation of the activities of municipal securities dealers. Under Section 15B(a) of the Securities Exchange Act, municipal securities dealers which are banks, or separately identifiable departments or divisions of banks engaging in municipal securities activities, are required to be registered with the Securities and Exchange Commission in accordance with such rules as the Municipal Securities Rulemaking Board (MSRB), a rulemaking authority established by the 1975 Amendments, may prescribe as necessary or appropriate in the public interest or for the protection of investors.

One of the areas in which the Act directed the MSRB to promulgate rules is the qualifications of persons associated with municipal securities dealers as municipal securities principals and municipal securities representatives as those positions are defined in MSRB Rule G-3. Paragraph (b) of MSRB Rule G-7 "Information Concerning Associated Persons," requires persons who are or seek to be associated with municipal securities dealers as municipal securities principals or municipal securities representatives to provide certain background information and conversely, require the municipal securities dealers to obtain the information from such persons. Generally, the information required to be furnished relates to employment history and professional background including any disciplinary

sanctions and any claimed bases for exemption from MSRB examination requirements.

Paragraph (b) of MSRB Rule G-7 provides that a "completed Form U-4 or similar form prescribed . . . in the case of a bank municipal securities dealer, by the appropriate regulatory agency, containing the foregoing information, shall satisfy the requirements of this paragraph." The FDIC and the other two Federal bank regulatory agencies, the Comptroller of the Currency, and the Federal Reserve Board, have prescribed Form MSD-4 to satisfy the provisions of Paragraph (b) of MSRB Rule G-7. State nonmember bank municipal security dealers submit Form MSD-4 to the FDIC as their appropriate regulatory agency for each person associated with the dealer as a municipal securities principal or municipal securities representative.

The FDIC, Comptroller of the Currency, and the Federal Reserve Board, have prescribed Form MSD-5 for notification by a bank municipal securities dealer that a municipal securities principal's or a municipal securities representative's association with the dealer has terminated and the reason for such termination. State nonmember bank municipal security dealers submit Form MSD-5 to the FDIC as their appropriate regulatory agency for each person terminating their association with the dealer as a municipal securities principal or municipal securities representative.

Paragraph (e) of MSRB Rule G-7 requires that every municipal securities dealer shall maintain and preserve a copy of the application form (Form MSD-4) until at least three years after the associated person's employment with the municipal securities dealer has terminated.

2. Use of Information Collected

The FDIC reviews the information reported for the purpose of determining the applicant's compliance with the professional qualifications requirements for municipal securities principals and municipal securities representatives set forth in the General Rules of the Municipal Securities Rulemaking Board. These rules are designed for investor protection by eliminating improper and unethical trading and selling practices.

3. Use of Technology to Reduce Burden

The forms are in electronic (fillable pdf) format and can be downloaded at the FDIC's public website www.fdic.gov/forms. Respondents have the choice of submitting the completed and signed forms to a designate email address or via U.S. Mail as indicated in the forms' instructions. FDIC is currently evaluating available solutions and if an acceptable burden-reducing option is practical, submission methodology may be modified to promote fully-electronic access, completion and submission of the forms.

4. Efforts to Identify Duplication

The information reported is not duplicated by any other reporting system. It is unique to the applicant wishing to be associated with a particular bank municipal securities dealer under the jurisdiction of the FDIC. There is no other source of this personal qualifications information except from the individual applicant.

5. Minimizing the Burden on Small Banks

Small banks generally do not have municipal securities dealers and, therefore, are unlikely to be burdened with these reporting requirements.

6. Consequences of Less Frequent Collections

The form is submitted only on making application to become associated with a bank municipal securities dealer as a municipal securities principal or representative. Amending statements are also required to correct inaccuracies or to make the application more complete. The form is also submitted on the occasion of termination of being associated with a bank municipal securities dealer.

7. Special Circumstances

None.

8. Summary of Public Comments; Consultation with Persons Outside the FDIC

The FDIC published a notice in the *Federal Register* seeking public comment, for a 60-day period, on the proposal to renew this information collection (82 FR 61566, December 28, 2017). No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

The information reported is kept private to the extent allowed by law.

11. Questions of a Sensitive Nature

There are no questions on the application relating to sexual behavior and attitudes, and religious beliefs. However, there are other questions of a personal nature. One is concerned with the applicant's possible conviction of any felony or misdemeanor within the past 10 years (#25). There is also a question about

disciplinary action pertaining to the applicant's past violations relating to securities matters (#23). These questions are necessary to determine the applicant's fitness to be associated with a bank municipal securities dealer where proper and ethical trading and selling practices are vital to the protection of the investor.

Source and Burden Type	No. of Respondents	Annual Frequency	Total Responses	Average time per Response	Estimated Annual Burden (hours)
Form MSD-4 Reporting	2	On Occasion	2	60 Minutes	2 Hours
Form MSD-5 Reporting	2	On Occasion	2	15 Minutes	0.5 Hours

12. Estimates of Annualized Hour Burden

13.

Using data gathered from the Bureau of Labor Statistics (BLS) as of June 2017, the FDIC generated a total burden cost estimate for this ICR (OMB 3064-0022). According to the May 2016 National Industry-Specific Occupational Employment and Wage Estimates for the Depository Credit Intermediation sector the 90th percentile wages for a Compliance Officer (131041) is \$48.59 per hour. The wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the June 2017 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 35.5 percent of total compensation. FDIC has also inflation-adjusted the wage information according to the BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 1.85 percent between May 2016 and June 2017. Therefore, the fully-loaded adjusted wage for a Compliance Officer is \$76.75 per hour.

The estimated labor cost of the 2.5 estimated total annual burden for this information collection is, therefore, \$191.88.

13. Total Annual External Cost Burden

None.

14. Annualized cost to the Federal Government

None.

15. Change in Burden

The overall reduction in burden hours is a result of economic fluctuation. In particular, the number of respondents has decreased while the reporting frequency and the estimated time per response remain the same.

16. Publication

No publication is made of this collection of information. The information is used internally within the FDIC to ensure compliance with the rules of the Municipal Securities Rulemaking Board.

17. Exceptions to Display of Expiration Date

None.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.