

SUPPORTING STATEMENT  
for the Paperwork Reduction Act Information Collection Submission for  
Rule 15Ba2-1 and Form MSD

A. JUSTIFICATION

1. Necessity of Information Collection

Section 15B(a)(2) of the Securities Exchange Act of 1934 (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 (17 CFR 240.15Ba2-1), 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 (17 CFR 249.1100).

2. Purpose and Use of the Information Collection

The Commission uses the information obtained from Form MSD filings to determine whether bank municipal securities dealers meet the standards for registration set forth in the Exchange Act, to make information about particular bank municipal securities dealers available to customers and members of the public, and to develop risk assessment information about bank municipal securities dealers. The information is provided to the public by being included routinely in the public files of the SEC and being available for inspection by any interested person 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.

3. Consideration Given to Information Technology

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. Duplication

One signed original and one signed copy of Form MSD must be filed with the SEC, and an exact copy should be retained by the registrant. In addition, an original signed copy of the form must be filed with registrant’s appropriate federal bank regulatory agency, determined in accordance with section 3(a)(34) of the Securities Exchange Act of 1934. 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 that is filed with the appropriate federal bank regulatory agency 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 an applicant's application for registration.

5. Effect on Small Entities

Although some bank municipal securities dealers using Form MSD may be characterized as small businesses, the need for information on bank municipal securities dealers (as described in item 2 above) is the same regardless of the size of the dealer.

6. Consequences of Not Conducting Collection

If the collection were not conducted, the Commission would not be able to use Form MSD information for purposes such as evaluating applications for registration and developing risk assessment information about bank municipal securities dealers. Also, the public would not be able to obtain or verify form MSD information on municipal securities dealers and their associated persons.

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

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

None.

10. Confidentiality

A Privacy Act Statement, pursuant to 5 U.S.C. 552(e)(3), has been added to Form MSD. This statement provides no assurance of confidentiality.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information. The information collection constitutes a manual collection whereby forms are collected in paper and scanned into the EDGAR system. The information collection collects basic Personally Identifiable Information (PII) that may include name, maiden name, alias, home address, telephone number, zip code, criminal / civil history, occupation, job title, work address, education, work telephone and work history. However, the agency has

determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier. In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection with this collection of information. The EDGAR PIA, published on January 29, 2016, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

## 12. Information Collection Burden

Form MSD is a one-time registration form that must be amended only if it becomes inaccurate. Based upon past submissions of two initial filings and 11 amendments in 2016, zero initial filings and 22 amendments in 2017, zero initial filings and 18 amendments in 2018, and zero initial filings and zero amendments so far in 2019, the Commission estimates that on an annual basis approximately 1 respondent will utilize Form MSD for an initial registration application, and that approximately 13 respondents will utilize Form MSD for an amendment, for a total of 14 respondents per year. 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 Form MSD filings 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 total annual burden is currently 21 hours at an average of 1.5 hours per respondent. (14 respondents/year x 1.5 hours/respondent = 21 hours/year). The staff estimates that the average internal compliance cost per hour is approximately \$417.<sup>1</sup> Therefore, the estimated total annual cost of compliance is approximately \$8,757 per year (21 hours/year x \$417/hour = \$8,757/year).

### SUMMARY OF ANNUAL INFORMATION COLLECTION BURDEN TO RESPONDENTS

<b>Burden Type</b>	<b>Number of Annual Responses</b>	<b>Time Per Response (Hours)</b>	<b>Total Annual Burden (Hours)</b>
One-time reporting to the SEC	14	1.5	21

## 13. Costs to Respondents

There are no costs to respondents other than those identified in item 12, above.

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<sup>1</sup> The estimate of \$417 per hour is for a compliance attorney, based on the Securities Industry and Financial Markets Association’s Management & Professional Earnings in the Securities Industry 2013, modified by Commission staff to account for an 1800-hour work-year and inflation, and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead.

14. Costs to Federal Government

Currently, there are no developmental costs associated with Rule 15Ba2-1 or Form MSD. The Commission receives approximately 14 Form MSD filings per year, and processing or reviewing the filings does not require the Commission to hire any new employees or relocate any existing employees.

15. Changes in Burden

Since the last time Commission staff estimated the burden in 2016, the approximate number of Form MSD filings received by the Commission each year has decreased from 21 to 14, resulting in a decrease in the estimated annual burden from the 2016 estimate of 31.5 hours to the current estimate of 21 hours as detailed in item 12 above.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not employ statistical methods.