

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

**Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the reporting and recordkeeping requirements associated with 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). The Securities Exchange Act of 1934, as amended (the Act),<sup>1</sup> requires financial institutions to notify their appropriate regulatory agency (ARA) prior to using the mails or any means or instrumentality of interstate commerce to engage in government securities broker or dealer activities, and to notify their ARA upon terminating such activities. The Board 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 Act corporations (collectively, Board-regulated financial institutions). A Board-regulated financial institution must use Form G-FIN to register as a government securities broker or dealer or to amend a previously submitted Form G-FIN, and must use Form G-FINW to notify the Board of its termination of such activities.

The Board revised Form G-FIN and Form G-FINW by requiring respondents to submit the forms by email in Portable Document Format (PDF), rather than by mail, and by updating item 7 of the Form G-FIN to correct cross-references on the following forms: Form G-FIN-4, Form MSD-4, and Form U-4<sup>2</sup>, which are incorporated by reference in item 7 of the Form G-FIN. Additionally, the Board revised Form G-FIN to include a requirement that respondents retain a copy of each Form G-FIN and Form G-FINW submitted.

The current estimated total annual burden for the Form G-FIN and Form G-FINW is 5 hours, and would increase to 36 hours. The adopted revisions would result in an increase of 31 hours. The draft forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx>.

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<sup>1</sup> 15 U.S.C § 78o-5.

<sup>2</sup> Disclosure Form for Person Associated with a Financial Institution Government Securities Broker or Dealer (Form G-FIN-4; OMB No. 1530-0064), Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-4; OMB No. 7100-0100), and Uniform Application for Securities Industry Registration or Transfer (Form U-4) (promulgated by the Financial Industry Regulatory Authority).

## **Background and Justification**

Pursuant to section 15C of the Act, a financial institution that meets the statutory definition of government securities broker or government securities dealer<sup>3</sup> may not make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any government security unless it has filed with its ARA written notice that it is a government securities broker or dealer. Government securities brokers or government securities dealers must also notify their ARA upon termination of such activities. The Act requires that the notices 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, after consultation with the Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), and Securities and Exchange Commission (SEC).<sup>4</sup>

Board-regulated financial institutions provide the required notices to the Board through Form G-FIN and Form G-FINW. The Board uses the information collected by these forms to monitor compliance with the Act. The information collected by Form G-FIN and Form G-FINW is not available from other sources.

## **Description of Information Collection**

### *Reporting Requirements*

#### **Form G-FIN**

Board-regulated financial institutions must file Form G-FIN with the Board prior to engaging in government securities broker or dealer activities through use of the mails or interstate commerce. Respondents are required to provide information regarding the name and location of the notificant; whether the notificant proposes to act as a government securities broker, dealer, or both; information regarding the locations in which the notificant will conduct such activities and the names and titles of persons directly engaged in the management, direction, or supervision of their government securities dealer activities.

For each person that the notificant identifies as being directly engaged in the management, direction, or supervision of its government securities dealer activities, the notificant must attach a separate Form G-FIN-4 or, if previously filed, a copy of Form MSD-4 or Form U-4. These forms are used by individuals to register as “associated persons” of broker-dealers. Firms filing a Form G-FIN must indicate in item 7 whether any associated person, as defined by applicable U.S. Department of the Treasury (Treasury) regulations,<sup>5</sup> has responded “yes” to certain questions in Form G-FIN-4, Form MSD-4, or Form U-4 related to previous disciplinary actions that would constitute statutory disqualifications against the associated person or any of the employers for whom the associated person works. As noted above, item 7 of the Form G-FIN is being revised to reflect the updated numbering of certain questions on the

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<sup>3</sup> See sections 3(a)(43) and (44) of the Act, 15 USC §§ 78c(a)(43) and (44), respectively.

<sup>4</sup> 15 U.S.C. § 78o-5(a)(1)(B)(ii).

<sup>5</sup> See 17 CFR 400.3.

Form G-FIN-4, Form MSD-4, and Form U-4, which are incorporated by reference in item 7 of the Form G-FIN.

Board-regulated financial institutions that engage in dealing or brokering government securities and that have previously filed a Form G-FIN must file an amended Form G-FIN in the event that any of the information previously submitted becomes incomplete, inaccurate, or no longer applicable. Institutions filing such an amendment must complete only certain sections of Form G-FIN, as outlined in the instructions to the form.

### **Form G-FINW**

Board-regulated financial institutions must file Form G-FINW to provide notice of termination of government securities broker or dealer activities. Form G-FINW collects information such as the company name, business addresses, and the contact person responsible for the records associated with the government securities broker or dealer activities.

#### *Recordkeeping Requirements*

The instructions for Form G-FIN and Form G-FINW state that a notificant should retain one exact copy of each completed Form G-FIN, Form G-FINW, and amendments to Form G-FIN for the notificant's records. These records must be kept until at least three years after the financial institution has notified the Board that it has ceased to function as a government securities broker or dealer.

### **Respondent Panel**

The respondent panel comprises 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 Act corporations that are government security brokers or government security dealers, or that have terminated such activities.

Certain institutions are exempt from the notice requirements under the Treasury's regulations (for example, an institution whose activity is limited to issuing or forwarding U.S. savings bonds). The cover sheet and Part B of the instructions of Form G-FIN contain information to help financial institutions determine whether they must file notices pursuant to the Act.

### **Adopted Revisions to Form G-FIN and Form G-FINW**

Previously, respondents must submit Form G-FIN and Form G-FINW by mail. The Board revised these collections of information to require respondents to submit PDF versions of the forms and any attachments to a designated email address.

In addition, the Board revised the Form G-FIN and Form G-FINW collections to account for a requirement in the forms' instructions that respondents retain a signed copy of the form and data submitted. Currently, only respondents that are state member banks or uninsured state

branches or state agencies of a foreign bank must comply with this recordkeeping requirement, which is imposed on such respondents by the Treasury's regulations.<sup>6</sup> Pursuant to those regulations, such respondents must retain Form G-FIN and Form G-FINW until at least three years after the financial institution has notified the Board that it has ceased to function as a government securities broker or dealer. The Board revised the Form G-FIN and Form G-FINW information collections to impose identical recordkeeping requirements on respondents that are foreign banks, commercial lending companies owned or controlled by foreign banks, and Edge Act corporations. The retention period with respect to forms filed by those respondents would be identical to the period imposed by the Treasury regulations in order to maintain parity among respondent institutions. The proposal also revised the instructions to Form G-FIN and Form G-FINW so that they state the required retention period for these forms.

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

Form G-FIN and Form G-FINW are event-generated. Financial institutions file Form G-FIN before commencing operations as a government securities broker or dealer. Amended notices are due within 30 calendar days of the date on which information on the previous notice became inaccurate. Financial institutions for which an exemption no longer applies must file a notice immediately. A financial institution that has previously filed Form G-FIN must file Form G-FINW when it ceases to act as a government securities broker or dealer.

### **Public Availability of Data**

The notices will be made available to the public upon request from the Board or SEC.

### **Legal Status**

Form G-FIN and Form G-FINW 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 a written notice advising its ARA that it is a government securities broker or a government securities dealer or that it has ceased to act as such. The Act also directs the Board, in consultation with the other ARAs (FDIC and OCC),<sup>7</sup> as well as the SEC, to prescribe the form of and the information collected in these notices (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 the Treasury regulations, authorized by 15 U.S.C. § 78o-5(b)(1), which instruct that the Form G-FIN and Form G-FINW are promulgated by the Board and that such forms are to be used by non-exempt<sup>8</sup> financial institutions to notify the ARA of their status as government securities brokers or dealers or the termination of such status. See 17 CFR 400.1(d), 449.1, and 449.2; see also 17 CFR 400.5(b)

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<sup>6</sup> See 17 CFR 404.4.

<sup>7</sup> These forms are also collected by the FDIC and OCC, respectively, for government securities brokers and dealers under their supervision and we understand that the FDIC and OCC are each submitting a similar request for OMB review. A copy of the form filed with each ARA is also made available by the ARA to the SEC under the Act (15 U.S.C. § 78o-5(a)(1)(B)(iii)).

<sup>8</sup> The Act permits the Secretary of the Treasury to exempt certain government securities brokers or dealers (15 U.S.C. § 78o-5(a)(5)) and the Secretary of the Treasury has promulgated regulations exempting certain types of firms. See 17 CFR Part 401.

which require that any amendments or corrections to the notice of status of government securities broker or dealer be filed by the financial institution on Form G-FIN within 30 days).

Section 15C of the Act (15 U.S.C. § 78o-5(b)(1)(C)), also instructs the Secretary of the Treasury to promulgate recordkeeping requirements regarding the forms and records to be retained by government securities brokers and dealers and to specify the time period for which such records shall be preserved. Accordingly, the recordkeeping requirement associated with these forms is contained in 17 CFR 404.4, which requires state member banks and uninsured state branches or state agencies of foreign banks, as well as other institutions, to retain these forms for three years after the financial institution notifies its ARA that it has ceased to function as a government securities broker or dealer. Although Treasury's recordkeeping requirement does not explicitly apply to foreign banks, Edge Act corporations, or commercial lending companies that are owned or controlled by foreign banks, the Board has the authority to "issue such rules and regulations with respect to transactions in government securities as may be necessary to prevent fraudulent and manipulative acts and practices and to promote just and equitable principles of trade" (15 U.S.C. § 78o-5(b)(3)(A)). Imposing a recordkeeping requirement on foreign banks, Edge Act corporations, and commercial lending companies owned or controlled by foreign banks is necessary for the public interest and protection of investors in order to ensure that the proper notification has been provided when these institutions are transacting in government securities. See also 15 U.S.C. § 78o-5(a)(1)(B). In addition, the Board is authorized to impose a recordkeeping requirement on foreign banking organizations<sup>9</sup> (12 U.S.C. § 3108), on Edge Act corporations (12 U.S.C. § 625), and on commercial lending companies that are owned or controlled by foreign banks (12 U.S.C. § 3106, as applied through 12 U.S.C. § 1844(c)).

The obligation to file the Form G-FIN and Form G-FINW with the Board, and the obligation for the government securities broker or dealer to retain a copy of the Form G-FIN and Form G-FINW, is mandatory for those financial institutions for which the Board serves as the ARA, unless the financial institution is exempt from the reporting requirement under Treasury's regulations.

Under the Act, each ARA is instructed to make these forms available to the SEC, and the SEC is instructed to make the notices available to the public (15 U.S.C. § 78o-5(a)(1)(B)(iii)). Thus, the information collected on Form G-FIN and Form G-FINW is ordinarily not treated as confidential. The Board's Regulation H - Membership of State Banking Institutions in the Federal Reserve System (12 CFR Part 208) provides that any person filing any statement, report, or document under the Act may submit written objection to the public disclosure of the information when such information is filed in accordance with the procedures provided in 12 CFR 208.36(d). In addition, if a respondent believes that disclosing the information on these forms is reasonably likely to result in substantial harm to its competitive position, then consistent with exemption 4 of the Freedom of Information Act (FOIA), the respondent may request confidential treatment for such information pursuant to the Board's Rules Regarding the Availability of Information (12 CFR 261.15). However, given that item 6 of Form G-FIN

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<sup>9</sup> A foreign banking organization is a foreign bank that operates a branch, agency, or commercial lending company subsidiary in the United States; controls a bank in the United States; or controls an Edge Act corporation acquired after March 5, 1987; and any company of which the foreign bank is a subsidiary.

instructs the filer to attach copies of the confidential Form G-FIN-4, or if applicable, to attach copies of any previously filed confidential Form MSD-4 or confidential Form U-4, these attachments will be treated as confidential under exemptions 4 and/or 6 of the FOIA.

### **Consultation Outside the Agency**

The Board consulted with the FDIC, OCC, and SEC in reviewing the form and instructions for this submission.

### **Public Comments**

On August 29, 2019, the Board published an initial notice in the *Federal Register* (84 FR 45491) requesting public comment for 60 days on the extension, with revision, of the Form G-FIN and Form G-FINW. The comment period for this notice expired on October 28, 2019. One public comment was received, but it was outside the scope of the Board's review under the Paperwork Reduction Act. On December 23, 2019, the Board published a final notice in the *Federal Register* (84 FR 70542).

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the Form G-FIN and Form G-FINW is 5 hours, and would increase to 36 hours with the adopted revisions. The estimated number of respondents is based on the average number of combined files received in the past three years. With regard to the Board's recordkeeping requirement associated with Form G-FIN and Form G-FINW, only foreign banks, commercial lending companies owned or controlled by foreign banks, and Edge Act corporations are included as respondents. The recordkeeping requirement with regard to the financial institutions that file Form G-FIN and Form G-FINW with the Board is imposed by the Treasury. Therefore, the estimated total annual recordkeeping burden for Form G-FIN and Form G-FINW is diminutive. These reporting and recordkeeping requirements represent less than one percent of the Board's total paperwork burden.

	<i>Estimated number of respondents<sup>10</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours<sup>11</sup></i>
<b>Current</b>				
Form G-FIN	4	1	1.00	4
Form G-FINW	2	1	0.25	<u>1</u>
<i>Current Total</i>				5
<b>Proposed</b>				
<i>Reporting</i>				
Form G-FIN	34	1	1.00	34
Form G-FINW	2	1	0.25	1
<i>Recordkeeping</i>				
Form G-FIN	2	1	0.25	1
Form G-FINW	1	1	0.25	<u>0</u>
<i>Proposed Total</i>				36
<i>Change</i>				31

The current estimated total annual cost to the public for the Form G-FIN and Form G-FINW is \$288 and would increase to \$2,074 with the adopted revisions.<sup>12</sup>

### Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

### Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System is negligible.

<sup>10</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support--table-size-standards>.

<sup>11</sup> Due to the mechanics of the RISC/OIRA Consolidated Information System (ROCIS), fractional amounts 0.5 and above are rounded to 1 while fractional amounts below 0.5 are rounded to 0.

<sup>12</sup> 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 \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). 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 2018*, published March 29, 2019, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification system, <https://www.bls.gov/soc/>.