

**SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSIONS**

**Statement of Material Change, Merger, Acquisition, or Divestiture of a
Registered Party
OMB 1405-0227
Form Number DS-7789**

A. Justification

1. Why is this collection necessary and what are the legal statutes that allow this?

By statute, Executive Order, regulation, and delegation of authority, the Directorate of Defense Trade Controls (DDTC), Bureau of Political-Military Affairs, U.S. Department of State, in accordance with the Arms Export Control Act (AECA), 22 U.S.C. 2751 *et seq.*, and the International Traffic in Arms Regulations (ITAR), 22 CFR Parts 120-130, has the principal mission of controlling the export and temporary import of defense articles and services. This mission is primarily accomplished through the review and issuance of export and temporary import authorization requests, maintenance of the U.S. Munitions List, the registration of manufacturers, exporters, and brokers of defense articles and services, and enforcement of ITAR requirements. The collection and storage of various types of data are integral to DDTC's mission and responsibilities.

ITAR §§ 122.4 and 129.8 (22 CFR 122.4, 129.8) require registrants to notify DDTC in the event of a change in registration information or if the registrant is a party to a merger, acquisition, or divestiture of an entity producing, marketing, or brokering ITAR-controlled items (collectively "material changes"). This information is necessary for DDTC to ensure registration records are accurate, to ensure the material change is in compliance with the regulations (e.g. verify that a debarred entity is not in control of a registrant), to ensure export authorizations

remain current (e.g. if a transfer occurs), and to evaluate the implications on national security and foreign policy.

2. What business purpose is the information gathered going to be used for?

DDTC will use the requested information to fulfill its statutorily-mandated function of ensuring that ITAR-controlled articles and technical data are not transported or transmitted to unauthorized individuals, companies, or nations and transactions involving such items are in furtherance of the foreign policy and national security interests of the United States.

3. Is this collection able to be completed electronically (e.g. through a website or application)?

Respondents to this collection are instructed to submit a written notification, pursuant to ITAR §§ 122.4 and 129.8. Respondents currently transmit all documents in hard copy, often via overnight mail, as recommended by DDTC.

DDTC recently deployed a new case management system, The Defense Export Control and Compliance System (DECCS). A future enhancement of DECCS will allow respondents to submit information sufficient to satisfy ITAR §§ 122.4 and 129.8 obligations electronically. Once the Form DS-7789 in DECCS is deployed, industry users will have the option to make electronic submissions using the DECCS system or via hard copy. Respondents who choose to submit the information electronically will access Form DS-7789 through DDTC's website (<https://www.pmdtdc.state.gov>). Form DS-7789 will prompt the respondent to provide specific information depending on his or her role in the transaction and the responses provided. Note that the forms currently uploaded with this collection do

not represent what Form DS-7789 will look like electronically. Rather, the included forms are meant to demonstrate Form DS-7789's required and conditional fields.

Until Form DS-7789 is deployed in DECCS, respondents who wish to submit information in hard copy should fill out and submit the .pdf form associated with this collection.

4. Does this collection duplicate any other collection of information?

DDTC is unaware of any information collections which duplicate this information.

5. Describe any impacts on small business.

This information collection applies to all entities and individuals engaged in manufacturing, brokering, and exporting of defense articles and defense services; therefore, this reporting requirement applies to large and small businesses equally.

6. What are consequences if this collection is not done?

Absent this information collection, it would be extremely difficult for DDTC to meet its legally mandated responsibilities to ensure oversight of defense manufacturing and exports in furtherance of foreign policy objectives, national security interests, and world peace.

7. Are there any special collection circumstances (e.g. responding in less than 30 days, excessive record retention, or requiring submission of proprietary trade secrets)?

ITAR § 122.5 (OMB Control #1405-0111) requires that companies or individuals registered with DDTC maintain records for a minimum period of five years from the expiration of a license or other approval, or from the date of the transaction. In addition, to comply with the requirements of ITAR §§ 122.4 and 129.8, companies and individuals may be required to submit proprietary or business-sensitive materials for DDTC to understand the foreign policy and national security implications of a proposed transaction or change in registration.

8. Document the publication (or intent to publish) a request for public comments in the Federal Register.

The Department published a 60 Day *Federal Register* notification (85 FR 18324) on April 1, 2020, soliciting public comments. One comment was received requesting the Voluntary Disclosure Case Number field be an optional field. DDTC concurs with this comment and the field is optional.

9. Are any payments or gifts given to the respondents?

No payment or gift has been or will be provided to any respondent.

10. Describe any assurances of privacy/confidentiality.

There are no assurance of privacy or confidentiality. A privacy impact assessment (PIA) was conducted in 2017 and can be viewed at <https://www.state.gov/privacy>. This collection of information is covered under STATE-42, Munitions Control Records, which is also published on <https://www.state.gov/privacy>.

Respondents to this collection may review ITAR § 126.10, which describes DDTC's policy regarding the disclosure of information.

11. Are any questions of a sensitive nature asked?

The Department of State is not soliciting any information of a sensitive nature.

12. Describe the hour time burden and the hour cost burden on the respondent needed to complete this collection.

This information collection is estimated to take an average of 2 hours to execute, and DDTC expects to receive approximately 400 submissions per year; therefore, the total burden for this collection will be 800 hours per year.

According to the U.S. Department of Labor Bureau of Labor Statistics, the weighted median hourly wage for “Compliance Officers” in the United States is \$69.72¹ per hour (\$34.86 hourly wage x 2 multiplier = \$69.72) Multiplied by the average annual hourly burden of 800 hours, the hour-cost burden for this information collection is \$55,776.00 per year.

13. Describe any monetary burden on the respondent needed to complete this collection.

Respondents primarily utilize mail services such as UPS and FedEx to submit documents to DDTC. DDTC estimates the average monetary cost to respondents (the cost of shipping) per submission to be approximately \$35.00. Therefore, the annual monetary burden to respondents is estimated to be \$14,000.00 based on 400 submissions per year.

¹ Source: Bureau of Labor Statistics; Occupational Employment Statistics
<https://www.bls.gov/oes/current/oes131041.htm>

The monetary burden to respondents should decrease once the electronic DS-7789 is launched. Respondents who elect to submit electronically should save, on average, \$35.00 per response because there will be no costs associated with the electronic submission.

14. Describe the cost to the Federal Government to complete this collection.

Two employees (GS-13 or equivalent) review and process material change, merger, acquisition, and divestiture responses. At an average annual cost of \$116,353.00² per employee, DDTC estimates the total cost to the Federal Government to be \$232,706.00.

DDTC expects this cost to decrease as respondents choose to submit documents electronically. Electronic submission will prompt respondents to provide all of the information necessary for DDTC review, significantly reducing the amount of unintentional omissions and errors made by respondents. This, in turn, will minimize the amount of time spent by analysts conducting follow-up requests and reviewing incomplete submissions. As a result, DDTC anticipates the cost to the Federal Government could decrease by as much as 25% with the advent and use of electronic submission.

15. Explain any changes/adjustments to this collection since the previous submission.

DDTC has removed Statement of Material Changes not related to a merger, acquisition or divestiture to the collection 1405-0002, DS-2032 as an amendment. Thus, there is a reduction in burden for this information collection.

² <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2020/general-schedule/>

16. Specify if the data gathered by this collection will be published.

DDTC will publish name and address changes to the DDTC website (https://www.pmdtdc.state.gov/licensing/name_change.html) if it is determined that an exception pursuant to ITAR § 126.3 is applied to waive the requirement to amend all current authorizations. DDTC publishes these notices as they are the current mechanism for letting industry know when an entity appearing on a license or other authorization changes its name. These notices serve a critical purpose with respect to notifying industry that otherwise prohibited conduct is acceptable (e.g. an exporter shipping under a new name that is not otherwise reflected on the license). No information will be published except what is necessary to announce the name or address change. DDTC is actively exploring more effective automated ways to update this information.

17. Explain the reasons for seeking approval to not display the OMB expiration date.

The Department of State will display the OMB expiration date.

18. Explain any exceptions to the OMB certification statement.

The Department of State does not seek any exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.