

SUPPORTING STATEMENT
UNIFORM APPLICATION/UNIFORM TERMINATION FOR
MUNICIPAL SECURITIES PRINCIPAL OR REPRESENTATIVE
(OMB CONTROL 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.” 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).

The current clearance for the collection expires on April 30, 2021. There is no change in the method or substance of the collection.

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 designated 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

The collection does not have an impact on a substantial number of small entities. In particular, according to Call Report data as of September 30, 2020, the FDIC supervises 3,245 state nonmember banks, state savings associations, and insured state-licensed domestic branches of foreign banks. Any of these institutions could potentially become a municipal securities dealer and, therefore, become subject to this information collection. However, only two FDIC-supervised institutions are currently municipal securities dealers and neither has total assets of less than \$600 million. Therefore, there are no entities meeting the Small Business Administration's definition of a "small entity."

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. Consultation with Persons Outside the FDIC:

A notice seeking public comment for a 60-day period was published in the *Federal Register* on February 17, 2020 (86 FR 9935, February 17, 2021). 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. Any information deemed to be of a confidential nature is exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

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.

12. Estimate of Annual Burden

Summary of Annual Burden and Internal Cost (3064-0022)					
Information Collection (IC) Description	Type of Burden	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response	Total Estimated Annual Burden
Uniform Termination Notice for Securities Principal or Representative (Form MSD-5)	Reporting	2	1	1 hour	1 hour
Uniform Application for Municipal Securities Principal or Representative (Form MSD-4)	Reporting	2	2	1 hour	1 hour
TOTAL HOURLY BURDEN					2 hours

Total estimated annual burden: 2 hours

The total estimated annual cost for all respondents is:

$$2 \text{ hours} \times \$51.30 = \$102.60$$

Estimated Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Estimated Weights	Estimated Total Weighted Labor Cost Component ^a
Executives and Managers	\$123.02	20%	\$24.60
Clerical	\$33.37	80%	\$26.69
Total Estimated Weighted Average Hourly Compensation Rate		100%	\$51.30

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)" (May 2019), Employer Cost of Employee Compensation (September 2020), Consumer Price Index (September 2020).

13. Total Annual External Cost Burden

None.

14. Annualized cost to the Federal Government

None.

15. Change in Burden

There is no change in the method or substance of the collection. However, the overall reduction in burden hours is a result of three factors. First, the revised occupational distribution results in a lower hourly cost compared with the previously approved ICR, \$51.30 per hour compared with \$76.75 per hour. Second, the FDIC estimates it will receive one fewer Form MSD-4 per year and one fewer Form MSD-5 per year. Finally, the cost decline arising from the latter two factors is only partially offset by the upward revision of the time per response for Form MSD-4 from fifteen minutes to one hour.

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

Not applicable.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.