

SUPPORTING STATEMENT
APPLICATION PURSUANT TO SECTION 19 OF
THE FEDERAL DEPOSIT INSURANCE ACT
(OMB Control No. 3064-0018)

INTRODUCTION

This submission is being made in connection with the Federal Deposit Insurance Corporation's (FDIC) final policy statement titled, "FDIC Statement of Policy for Section 19 of the FDI Act" (the Final Section 19 SOP), which was published in the *Federal Register* on August 3, 2018.¹

Section 19 of the Federal Deposit Insurance Act, 12 U.S.C. § 1829, (FDI Act) prohibits, without the prior written consent of the FDIC, a person convicted of any criminal offense involving dishonesty or breach of trust or money laundering (covered offenses), or who has agreed to enter into a pretrial diversion or similar program in connection with a prosecution for such offense (covered person), from becoming or continuing as an institution-affiliated party (IAP), owning or controlling, directly or indirectly an insured depository institution (insured institution), or otherwise participating, directly or indirectly, in the conduct of the affairs of the insured institution. In addition, the law forbids an insured institution from permitting such a person to engage in any conduct or to continue any relationship prohibited by Section 19. Section 19 provides a criminal penalty for the knowing violation of its provisions of a fine of not more than \$1,000,000 for each day of the violation or imprisonment for not more than five years.

There are two methods by which a covered person can apply to the FDIC for written permission to become an IAP or participate in the affairs of an insured institution. The first method involves an insured institution filing a Section 19 application on behalf of a prospective director, officer, or employee (Sponsorship). When an insured institution will not file a Section 19 application on behalf of a covered person, a second method allows an individual to seek a waiver of the requirement that an insured institution file a Section 19 application on their behalf (Individual Waiver). Sponsorship and Individual Waivers are each made by filing FDIC Form 6710/07 with the FDIC.

The Final Section 19 SOP provides the public with guidance relating to Section 19, and the application thereof. The original text of the Section 19 SOP was first published in December 1998.²

The FDIC is therefore requesting OMB approval to update the currently approved collection of information titled, "Application Pursuant to Section 19 of the Federal Deposit Insurance Act" (3064-0018), which expires on June 30, 2020. There is no change in the method or substance of the collection. However, as a result of the Final Section 19 SOP which contains modifications to the previous Section 19 SOP, the number of applications (FDIC Form 6710/07) will decrease.

¹ 83 FR 38143 at 38147 (Aug. 3, 2018).

² 63 FR 66177 at 66184 (Dec. 1, 1998).

A. JUSTIFICATION

1. Circumstances and Need

Section 19 of the FDI Act prohibits, without the prior written consent of the FDIC, a covered person from becoming or continuing as an IAP, owning or controlling, directly or indirectly an insured institution, or otherwise participating, directly or indirectly, in the conduct of the affairs of the insured institution. In addition, the law forbids an insured institution from permitting such a person to engage in any conduct or to continue any relationship prohibited by Section 19. Section 19 provides a criminal penalty for the knowing violation of its provisions of a fine of not more than \$1,000,000 for each day of the violation or imprisonment for not more than five years. A request for FDIC written consent is made, either through Sponsorship or Individual Waiver, by filing FDIC Form 6710/07 with the FDIC.

2. Use of Information Collected

Form 6710/07 contains information about covered persons seeking to participate in the conduct of the affairs of an insured institution. Such information is necessary for the FDIC to carry out its statutory responsibility to provide or withhold its consent to the participation by a covered person in the affairs of an insured institution.

3. Use of Technology to Reduce Burden

Because section 19 applications are unique to each applicant and require certification by the prospective director, officer, or employee and by an appropriate bank official as to the accuracy of the information provided, the capability for electronic submission is currently unavailable. However, applicants may use technology to the extent feasible and appropriate in completing the application.

4. Efforts to Identify Duplication

There is no duplication of information. Each application is a unique submission of the insured institution or an individual to the FDIC. Similar information is not available from any other source. An insured institution or individual prepares the application only when it seeks FDIC consent to the participation by a covered person in the affairs of the insured institution.

5. Minimizing the Burden on Small Insured Institutions

All insured institutions, regardless of size, are subject to the application requirements of section 19 of the FDI Act. The information requested on the

application form is considered to be the minimum needed by the FDIC to evaluate the application. The applicant is requested to give brief responses.

6. Consequences of Less Frequent Collections

The information requested is not collected on a periodic basis. An insured institution or individual prepares the application only when it seeks FDIC consent to the participation by a covered person in the affairs of the insured institution.

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 January 8, 2018 (83 FR 807). No PRA comments were received.

9. Payments or gifts to Respondents

No payment or gift will be made to respondents.

10. Confidentiality

The application Form FDIC 6710/07 advises the applicant of the use and possible disclosure of the information provided. The applicant institutions are advised that some of the information, including the social security number, may be provided to any appropriate Federal or State insured institution regulatory agency and law enforcement or other governmental agencies for identity verification. Should the information indicate a violation of law, the application may be referred to any agency responsible for investigating or prosecuting such a violation. In addition, in the event of litigation, the application may be presented to the appropriate court as evidence and to counsel in the course of discovery.

11. Information of a Sensitive Nature

The application requires sensitive information pertaining to a person's conviction of criminal offenses involving dishonesty or a breach of trust. This information includes Personally Identifiable Information ("PII")³, including name, address, telephone number, date of birth and social security number. This information is

³ The term "Personally Identifiable Information" refers to information which can be used to distinguish or trace an individual's identity, such as their name, social security number, biometric records, etc. alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc.

necessary to assist the FDIC in assessing the merits of the application as required by Section 19 of the FDI Act.

The Systems of Records Notice associated with this collection may be viewed at the following link: <https://www.fdic.gov/regulations/laws/rules/2000-4000.html#fdic200030--64--0002>. The applicable Privacy Impact Assessment is available at <https://www.fdic.gov/about/privacy/assessments.html>.

12. Burden estimates

Annual number of respondents: 54
 Hours to respond to an application: 16
 Annual burden hours: 864

2018 Summary of Annual Burden							
	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response	Frequency of Response	Total Annual Estimated Burden
Application Pursuant to Section 19 of the FDI Act	Reporting	Required to Obtain or Retain Benefits	54	1	16	On Occasion	864
TOTAL HOURLY BURDEN							864 hours

Annualized Cost of Internal Hourly Burden:
 864 hours x \$89.26 per hour⁴ = \$77,120.64.

13. Capital, Start-up, Operating, and Maintenance Cost Burden

None.

14. Estimated Annual Cost to Federal Government

None.

15. Reason for Change in Burden

There is no change to the substance of this information collection. However, as a result of the Final Section 19 SOP which contains modifications to the previous Section 19 SOP, the number of applications (FDIC Form 6710/07) will decrease which will result in an overall 336 hour decrease in overall burden hours.

⁴ Estimated total hourly compensation of All Occupations in the Depository Credit Intermediation sector as of March 2018. The estimate includes the May 2017 90th percentile hourly wage rate reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment, and Wage Estimates. This wage rate has been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2017 and March 2018 (2.28 percent) and grossed up by 55.03 percent to account for non-monetary compensation as reported by the March 2018 Employer Costs for Employee Compensation Data.

16. Publication

This information collection will not be published.

17. Display of Expiration Date

The OMB number and expiration date are displayed on the application.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.