

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

INTRODUCTION

Section 19 of the Federal Deposit Insurance Act, 12 U.S.C. § 1829, (FDI Act) prohibits, without the prior written consent of the FDIC, an individual 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 an individual 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 FDIC is therefore requesting OMB approval of information collection titled, "Application Pursuant to Section 19 of the Federal Deposit Insurance Act" (3064-0018), which expires on October 31, 2021. There is no change in the method or substance of the collection.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

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. Consideration of the use of improved information technology:

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. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

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. Responses to this information collection (IC) are not mandatory, but are required to obtain or retain a professional relationship with an IDI of the type previously described. Potential respondents to this IC include individuals who meet the definition of a covered person and who wish to affiliate with, own, control, or participate in the affairs of an IDI. As of December 31, 2020, there are 5,010 FDIC-insured institutions.¹ Of these institutions, 3,500 are considered small for the purposes of the Regulatory Flexibility Act (RFA).² The majority of

¹ FDIC Call Report data, December 31, 2020

² The SBA defines a small banking organization as having \$600 million or less in assets, where an organization's "assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year." See 13 CFR 121.201 (as amended by 84 FR 34261, effective August 19, 2019). In its determination, the "SBA counts the receipts, employees, or other measure of size of the concern whose size is at issue and all of its

respondents to this IC are individuals which are not considered to be small entities. This information collection does not have a significant impact on a substantial number of small entities as the number of applications received on an annual basis is less than 100 and a substantial portion of those applications are from individuals.

6. Consequences to the Federal program if the collection were conducted less frequently:

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 necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

None. The information is collected in a manner consistent with 5 CFR Part 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

A 60-day notice seeking public comment on the FDIC's renewal of the information collection was published on August 16, 2021 (86 FR 45729). No comments were received.

9. Payment or gift to respondents:

No payment or gift will be made to respondents.

10. Any assurance of 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. Justification for questions of a sensitive nature:

domestic and foreign affiliates." See 13 CFR 121.103. Following these regulations, the FDIC uses a covered entity's affiliated and acquired assets, averaged over the preceding four quarters, to determine whether the covered entity is "small" for the purposes of RFA.

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 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. Estimate of hour burden including annualized hourly costs:

Summary of Estimated Annual Burdens (OMB No. 3064-0018)						
IC Description	Type of Burden (Obligation to Respond)	Frequency of Response	Number of Respondents	Number of Responses / Respondent	Hours per Response	Annual Burden (Hours)
Application Pursuant to Section 19 of the Federal Deposit Insurance Act	Reporting (Required to obtain or retain benefits)	On occasion	73	1	16	1,168
Total Annual Burden Hours:						1,168
Source: FDIC.						

Total estimated annual burden: 1,168 hours

The total estimated annual cost is:

1,168 hours x \$86.37 = \$100,880.16

Summary of Hourly Burden Cost Estimate (OMB No. 3064-0018)		
Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Allocated Weights - Non-material
Executives and Managers ⁴	\$123.30	10%
Lawyers ⁵	\$151.44	20%
Compliance Officers ⁶	\$67.35	60%
IT Specialists ⁷	\$92.30	0%

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.

⁴ Occupation (SOC Code): Management Occupations (110000).

⁵ Occupation (SOC Code): Legal Occupations (230000).

⁶ Occupation (SOC Code): Compliance Officers (131040).

Financial Analysts ⁸	\$79.40	0%
Clerical ⁹	\$33.44	10%
Weighted average:	\$86.37	100%
<p>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 (December 2020), Consumer Price Index (December 2020).</p> <p>Note: The 75th percentile wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the December 2020 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 34 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 1.71 percent between May 2019 and December 2020.</p>		

13. Estimate of start-up cost to respondents:

There are no anticipated capital, start-up, or operating costs.

14. Estimates of annualized cost to the federal government:

None.

15. Analysis of change in burden:

There is no change to the substance of this information collection. The increase in burden is a result of an increase in the number of estimated respondents.

16. Information regarding collections whose results are planned to be published for statistical use:

Collections of information under the interagency statement are not published.

17. Exceptions to expiration date display:

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

18. Exceptions to certification:

None.

B. STATISTICAL METHODS

Statistical methods are not employed in this collection.

⁷ Occupation (SOC Code): Computer and Mathematical Occupations (150000).

⁸ Occupation (SOC Code): Financial and Investment Analysts, Financial Risk Specialists, and Financial Specialists, All Other (132098).

⁹ Occupation (SOC Code): Office and Administrative Support Occupations (430000).