

**SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT 1995:
PROHIBITED TRANSACTION EXEMPTION 75-1 (SECURITY TRANSACTIONS
WITH BROKER-DEALERS, REPORTING DEALERS AND BANKS)**

This ICR seeks approval for an extension of an existing control number.

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

Employee Retirement Income Security Act of 1974 (ERISA) section 406(a) and Internal Revenue Code (Code) section 4975(c)(1)(A)-(D) prohibit specified transactions between plans and “parties in interest,” as defined in ERISA section 3(14) or “disqualified persons” as defined in Code section 4975(e)(2). Fiduciaries and other service providers are parties in interest and disqualified persons under ERISA and the Code. As a result, they are prohibited from engaging in the sale or exchange of property or services, loans, leases, or extensions of credit, with plans and individual retirement accounts (IRAs). ERISA section 406(b) and Code section 4975(c)(1)(E)-(F) further prohibits certain acts by plan fiduciaries that result in benefit to the fiduciary or a party adverse to the plan.

If a broker-dealer advances funds to settle a trade entered into by a plan or IRA, or purchases a security for delivery on behalf of a plan or IRA, the result can potentially be viewed as a loan of money or other extension of credit to the plan or IRA. Further, in the event a broker-dealer steps into a plan’s or IRA’s shoes in any particular transaction, it may charge interest or other fees to the plan or IRA. These transactions potentially violate ERISA section 406(a)(1)(B) and Code section 4975(c)(1)(B) and (D).

The Secretary of Labor may grant and amend administrative exemptions from the prohibited transaction provisions of ERISA and the Code.¹ Before granting an exemption, the Department must find that the exemption is administratively feasible, in the interests of plans, their participants and beneficiaries and IRA owners, and protective of the rights of participants and beneficiaries of such plans and IRA owners.

Prohibited Transaction Exemption (PTE) 75-1 was granted on October 24, 1975. It

¹ Regulations at 29 CFR section 2570.30 to 2570.52 describe the procedures for applying for an administrative exemption under ERISA. Code section 4975(c)(2) authorizes the Secretary of the Treasury to grant exemptions from the parallel prohibited transaction provisions of the Code. Reorganization Plan No. 4 of 1978 (5 U.S.C. app. at 214 (2000)) generally transferred the authority of the Secretary of the Treasury to issue administrative exemptions under Code section 4975 to the Secretary of Labor.

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

consists of five parts covering, among other things, securities transactions between plans and broker-dealers, reporting dealers and banks as well as other parties. PTE 75-1 Part I covers the effecting of securities transactions and related services by persons that are not fiduciaries. Part II(1) allows the purchase or sale of a security between plans and IRAs and: (1) a broker-dealer registered under the Securities Exchange Act of 1934; (2) a reporting dealer who makes primary markets in securities of the U.S. Government or of any agency thereof and reports daily to the Federal Reserve Bank of New York its positions with respect to Government securities and borrowings thereon; or (3) a bank supervised by the United States or a State. Part II(2) provides an exemption for certain fiduciaries to act as principals (as opposed to agents for third parties) in selling mutual fund shares to plans and IRAs and to receive commissions for doing so. Part III allows a plan to purchase certain securities from underwriting syndicates of which a plan fiduciary is a member. Part IV allows a plan to purchase from or sell securities to a market maker that is a fiduciary. Part V allows a broker-dealer to extend credit to a plan in connection with the purchase or sale of securities. Each of the five parts of the exemption contains its own conditions and limitations.

In order to ensure that the exemption is not abused, that the rights of participants and beneficiaries are protected, and that parties comply with the exemption's conditions, the Department requires limited information collection pertaining to the affected transactions. The information collection requirements that are conditions to reliance on the class exemption consist only of a recordkeeping requirement in Parts II, III, IV, and V of the exemption. Specifically, the plan must maintain or cause to be maintained for a period of six years from the date of the transaction records necessary to enable the Department of Labor, the Internal Revenue Service, plan participants and beneficiaries, any employer of plan participants and beneficiaries, and any employee organization any of whose members are covered by plan participating in covered transactions to determine whether the conditions of the exemption have been met and to make such records available unconditionally for examination during normal business hours to their duly authorized employees.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

The class exemption allows broker-dealers, reporting dealers and banks and others to engage in securities and other transactions with employee benefit plans. These transactions would otherwise be prohibited under ERISA's prohibited transaction provisions. The recordkeeping requirement is intended to be protective of rights of plan participants and beneficiaries and IRA owners by ensuring they and the Department can confirm that the conditions of the exemption has been satisfied.

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

The recordkeeping would be used by (1) plan participants and beneficiaries and IRA owners, (2) any employer of plan participants and beneficiaries, and (3) any employee organization any of whose members are covered by such plan to determine whether the conditions of this exemption have been met, (4) the Department, (5) the Internal Revenue Service.

The Department is unable to estimate how frequently records supporting the exempt transactions are examined by either the Department or other parties. The Department and the Internal Revenue Service have the authority to request such records and does so from time to time in connection with investigations.

- 3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration for using information technology to reduce burden.**

The Government Paperwork Elimination Act (GPEA) requires agencies to allow customers the option to submit information or transact with the government electronically, when practicable. Where feasible, and subject to resource availability and resolution of legal issues, EBSA has implemented the electronic acceptance of information submitted by customers to the federal government.

Under 29 C.F.R. § 2520.104b-1(b) of ERISA, “where certain material, including reports, statements, and documents, is required under Part I of the Act and this part to be furnished either by direct operation of law or an individual request, the plan administrator shall use measures reasonably calculated to ensure actual receipt of the material by plan participants and beneficiaries.” Section 2520.104b-1(c) establishes the manner in which disclosures under Title I of ERISA made through electronic media will be deemed to satisfy the requirement of § 2520.104b-1(b). Section 2520-107-1 establishes standards concerning the use of electronic media for maintenance and retention of records. Under these rules, all pension and welfare plans covered under Title I of ERISA may use electronic media to satisfy disclosure and recordkeeping obligations, subject to specific safeguards.

As further discussed in items 12 and 13 below, the Department has taken into account that some of the disclosures and written authorizations will be delivered electronically.

- 4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes**

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

described in Item 2 above.

It is likely that duplication of recordkeeping requirements exist with some state and federal banking and securities laws. However, no duplicate recordkeeping is required because entities are able to satisfy the requirements of both the exemption and of the other applicable laws through one recordkeeping arrangement.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

Large institutional financial service providers are most likely to engage in the covered transactions. However, even if small entities are involved in these transactions, the burden is believed to be minimal because most entities maintain the subject records a part of their ordinary and customary business practices or for other reasons, including other state and Federal securities regulatory requirements.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The requirements of this PTE are only required if entities wish to utilize the class exemption. The frequency is dependent upon the occurrence of such transactions, not on a predetermined time period.

If the disclosure and recordkeeping requirements were not included in PTE 75-1, the Department could not ensure that the exemption is protective of the rights of participants and beneficiaries as required under ERISA section 408(a) and Code section 4975(c)(2).

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
- **requiring the use of a statistical data classification that has not been reviewed**

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

- and approved by OMB;**
- that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**
- requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

Because this exemption is granted under section 408(a) of ERISA and section 4975(c)(2) of the Code, the exclusion from the three year guideline for record retention set forth in 5 CFR 1320.5 is applicable. Furthermore, as a result of statutory recordkeeping requirements in ERISA, the Code, and other federal laws the respondents affected by this exemption (financial institutions that deal with employee benefit plans), for the most part, have adopted six-year recordkeeping as standard business practice in order to satisfy those separate recordkeeping requirements.

Under the recordkeeping provisions of the amended exemption, fiduciaries are not required to disclose records that are privileged trade secrets or privileged commercial or financial information to plan fiduciaries, participants or beneficiaries, IRA owners, or their representatives. However, if the fiduciary refuses to disclose information on the basis that the information is exempt from disclosure, the fiduciary must, by the close of the thirtieth (30th) day following the request, provide a written notice advising the requestor of the reasons for the refusal and that the Department may request such information.

- 8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained

or those who must compile records should occur at least once every 3 years -- even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The Department's notice soliciting public comment and providing 60 days for that purpose as required by 5 CFR 1320.8 (d) was published in the Federal Register on March 17, 2022 (87 FR 15267). No comments were received.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

Not applicable.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

None.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

None.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of difference in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
- **Provide estimates of annualized cost to respondents for the hour burdens for collection of information, identifying and using appropriate wage rate**

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

categories. The cost of contracting out or paying outside parties for information collection activities should not be included here.

The class exemption requires as a condition to relief that plans entering into the types of transactions covered by the exemption retain or cause to be maintained all records pertaining to such transactions for six years and provide access to the records upon request to the specified parties. The Department has assumed that financial service providers that transact with the employee benefit plans will maintain these records on behalf of their client plans. Because of the sophisticated nature of financial service providers and the strict regulation of the securities industry by State and federal government, and by self-regulatory organizations, the Department has assumed that the records required by this class exemption are the same records kept in the normal course of business. Therefore, the Department has estimated that the additional time needed to maintain records for plans consistent with the exemption will be very small, requiring only 5 minutes of financial professionals' time per entity annually. The Department has further assumed that making the records available for inspection during normal business hours will require an additional 5 minutes of financial professional time. Thus, the Department estimated that a total of 10 minutes of professional time per entity would be required.

Broker-dealers registered under the Security Exchange Act of 1934 (Act) (15 USC 78a et seq.), reporting dealers, and banks are eligible to take advantage of the provisions of the exemption. According to the Security Exchange Commission, approximately 3,551 broker-dealers were registered.² The Financial Industry Regulatory Authority (FINRA) reports approximately 3,435 members as of 2021.³ Not all broker-dealers perform services for employee benefit plans, and not all broker-dealers that perform services for employee benefit plans would need to rely on the exemption in order to conduct their business. The number of broker-dealers that would use the exemption is therefore estimated to be about half of the total number of broker-dealers, or approximately 3,493 respondents.⁴

The Federal Deposit Insurance Corporation 4,301 commercial banks as of September 30, 2021.⁵ If one-half of these banks (about 2,151) and 3,493 broker-dealers relied on this

² Estimates based on SEC's FOCUS filings and SEC's Form ADV filings

³ Financial Industry Regulatory Authority. "A Report from the Financial Industry Regulatory Authority: 2021 FINRA Industry Snapshot." (2021). This number of FINRA members is the sum of the number of firms that are solely registered with FINRA as broker-dealers (2,930) and the number of FINRA-registered broker-dealers who are also registered as investment adviser firms (505).

⁴ This estimate is very conservative since there is large overlap between the SEC registered firms and FINRA ones. The number of broker-dealers and FINRA members using the exemption for PTE 1975-1 is estimated as follows: (3,551 broker-dealers + 3,435 FINRA members) x 0.5 = 3,493.

⁵ Federal Insurance Deposit Corporation. Quarterly Banking Profile. "Statistics at a Glance- as of September 30,

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

exemption, there would be approximately 5,644 respondents.⁶ Multiplying this number by ten minutes per year results in a total annual recordkeeping burden of 941 hours.

The equivalent cost for this annual hour burden for this collection of information is estimated to be \$155,633, determined as follows: 941 hours times \$165.45/hour (estimated per hour cost for financial professionals' time).⁷

Estimated Annualized Respondent Cost and Hour Burden

| Activity | No. of Respondents | No. of Responses per Respondent | Total Responses | Average Burden (Hours) | Total Burden (Hours) | Hourly Wage Rate | Total Burden Cost |
|---------------|--------------------|---------------------------------|-----------------|------------------------|----------------------|------------------|-------------------|
| Recordkeeping | 5,644 | 1 | 5,644 | 10/60 | 941 | \$165.45 | \$155,633 |
| | | | | | | | |
| Total | 5,644 | 1 | 5,644 | 10/60 | 941 | \$165.45 | \$155,633 |

13. **Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 or 14).**
- **The cost estimate should be split into 2 components: (a) a total capital and start up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of service component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.**

2021.” <https://www.fdic.gov/analysis/quarterly-banking-profile/statistics-at-a-glance/2021sep/industry.pdf>

⁶ Reporting dealers covered by the exemption are not accounted for separately because they are banks and security brokerages that trade in U.S. Government Securities; thus, reporting dealers are already accounted for in the number of broker-dealer firms and banks. The NY Federal Reserve Bank reported 21 primary dealers on March 21, 2013. (http://www.newyorkfed.org/markets/pridealers_current.html)

⁷ Internal DOL calculation based on 2020 labor cost data. For a description of the Department’s methodology for calculating wage rates, see <https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/rules-and-regulations/technical-appendices/labor-cost-inputs-used-in-ebbsa-opr-ria-and-pra-burden-calculations-june-2019.pdf>.

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

- **If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.**
- **Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.**

It is assumed that required records are maintained by the relevant affected parties, the broker-dealers and banks. Thus, there are no additional tasks performed outside of the brokerage firms/banks.

- 14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.**

Not applicable.

- 15. Explain the reasons for any program changes or adjustments reporting in Items 13 or 14**

The Department has updated the data inputs used to calculate the number of responses and respondents. The Department has also updated the labor rate.

- 16. For collections of information whose results will be published, outline plans for tabulation, and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

The results of the collection of information will not be published.

**Prohibited Transaction Exemption 75-1
(Security Transactions with Broker-Dealers, Reporting Dealers and Banks)
OMB Control Number 1210-0092**

- 17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

The collection of information will display a currently valid OMB control number.

- 18. Explain each exception to the certification statement identified in Item 19.**

Not applicable; no exceptions to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable. The use of statistical methods is not relevant to this collection of information.