

**Supporting Statement for the
Uniform Application for Municipal Securities Principal or
Municipal Securities Representative Associated with a Bank Municipal Securities Dealer
(Form MSD-4; OMB No. 7100-0100) and
Uniform Termination Notice for Municipal Securities Principal or
Municipal Securities Representative Associated with a Bank Municipal Securities Dealer
(Form MSD-5; OMB No. 7100-0101)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, without revision, the Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-4; OMB No. 7100-0100) and Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-5; OMB No. 7100-0101).¹ These mandatory information collections must be submitted in certain circumstances by a municipal security dealer (MSD) that is itself or is a subsidiary of a state member bank (SMB), a bank holding company (BHC), a savings and loan holding company (SLHC), or a foreign dealer bank, as defined below. Form MSD-4 collects information (such as personal history and professional qualifications) regarding an employee whom the MSD wishes to assume the duties of municipal securities principal or representative. Form MSD-5 collects the date of, and reason for, termination of such an employee.

The estimated total annual burden for the Form MSD-4 and Form MSD-5 is 19 hours. The forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

Pursuant to the Securities Acts Amendments of 1975 (Pub. L. 94-29), Congress imposed a comprehensive federal regulatory structure on the municipal securities industry. The Municipal Securities Rulemaking Board (MSRB) was created as a self-regulatory organization (SRO) to prescribe rules for the municipal securities industry. The MSRB's rules take effect only after approval by the U.S. Securities and Exchange Commission (SEC). Although MSRB rules apply to all MSDs, the MSRB does not have enforcement powers. The Securities Exchange Act of 1934 (the Exchange Act) (15 U.S.C. § 78a et seq.) designates appropriate regulatory agencies (ARAs) to enforce the MSRB's rules for specified municipal securities dealers. The Board is the ARA for an MSD that is an SMB, BHC, or SLHC, as well as certain subsidiaries of such

¹ As part of this clearance, the Board will clear the Form MSD-4 and Form MSD-5 under the Form MSD-4 OMB control number (7100-0100), and then discontinue the Form MSD-5's separate OMB control number (7100-0101). This non-substantive change is aimed at simplifying the tracking and clearance process for the two related forms. This change would not modify the reporting or recordkeeping requirements of the forms in any way. The collection will then be titled "Uniform Application and Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer" (Form MSD-4 and Form MSD-5; 7100-0100).

companies.² The Board also is the ARA for municipal securities dealer activities of foreign banks, uninsured state branches or state agencies of foreign banks, commercial lending companies owned or controlled by foreign banks, or Edge corporations (collectively referred to as foreign dealer banks).³

The Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of Currency, in consultation with the MSRB, jointly drafted and adopted Form MSD-4 and Form MSD-5 in 1977. Form MSD-4 is submitted by an MSD when an employee of the MSD assumes the duties of municipal securities principal or representative. Form MSD-5 is submitted by an MSD when such a person's employment is terminated for any reason. Information collected on Form MSD-4 and Form MSD-5 are routinely used by the Board to (1) identify a potential violation of law, (2) provide a basis for referral of potential violations to another government agency or SRO, (3) aid in the resolution of any proceeding in which the federal securities laws or banking laws are at issue, (4) obtain additional information from a government agency or SRO concerning the applicant's qualifications, and (5) respond to a government agency or SRO request for information needed to issue a license or for similar action affecting the employee. The information submitted by all Board-supervised municipal securities dealers on Form MSD-4 and Form MSD-5 is not available from other sources.

If an individual that is a principal or municipal securities representative of an MSD is also an associated person of a government securities broker dealer, as those terms are defined in 17 CFR 400.3, a Form MSD-4 filed on behalf of that individual is deemed to satisfy the notification requirements associated with the Department of the Treasury's Disclosure Form for Person Associated with a Financial Institution Government Securities Broker or Dealer (Form G-FIN-4; OMB No. 1530-0064). Similarly, Form MSD-5 filed on behalf of a terminated employee satisfies the notification requirements associated with the Department of the Treasury's Uniform Termination Notice for Person Associated with a Financial Institution Government Securities Broker or Dealer (Form G-FIN-5; OMB No. 1530-0064).

Description of Information Collection

MSRB Rule G-7, Information Concerning Associated Persons, requires persons who are or seek to be an associated person of an MSD, either as a municipal securities principal (a person performing supervisory functions) or representative (a person engaged in underwriting, trading, or sales of municipal securities or furnishing financial advice to issuers in connection with the issuance of municipal securities) or in any other manner set forth under the rule, to provide certain background information to the MSD.⁴ The rule also requires MSDs to obtain and report this information. MSDs for which the Board is the ARA must report to the Board information required by MSRB Rule G-7 using Form MSD-4. Generally, the information required by Form MSD-4 relates to employment history and professional background, including any disciplinary sanctions, as well as any claimed basis for exemption from MSRB examination

² 15 U.S.C. § 78c(34)(A)(ii).

³ Letter from Catherine McGuire, Chief Counsel, SEC's Division of Market Regulation, to Laura M. Homer, Assistant Director, Board's Division of Banking Supervision and Regulation, June 14, 1994.

⁴ See SR letter 94-5, available at <https://www.federalreserve.gov/boarddocs/srletters/1994/SR9405.HTM>.

requirements. Certain information reported on Form MSD-4 is filled out by the employee, with the rest completed by the MSD.

An MSD for which the Board is the ARA must file Form MSD-5 with the Board when any employee previously registered as a municipal securities principal or representative is terminated for any reason. Form MSD-5 requires information such as the reason for termination and whether any investigations or actions by agencies or SROs involving the associated person occurred during the period of employment. Any SMB, BHC, SLHC, or foreign dealer bank, as well as certain subsidiaries of such entities, that is an MSD is required to file Form MSD-4 and Form MSD-5 with the Board with respect to its employees. As required by MSRB Rule G-7, bank municipal securities dealers must retain copies of Form MSD-4 for each associated person during the entire term of employment, and retain both Form MSD-4 and Form MSD-5 for three years from the date of termination of employment.

Respondent Panel

The Form MSD-4 and Form MSD-5 panels comprise each MSD that is an SMB, BHC, or SLHC, certain subsidiaries of such firms, or a foreign dealer bank.⁵

Time Schedule for Information Collection

These information collections are event generated. An MSD for which the Board is the ARA is required to file Form MSD-4 within ten days of a municipal securities principal's or representative's association with that MSD. Such MSD is required to file Form MSD-5 within 30 calendar days after a principal or representative terminates association with that MSD. Completed reporting forms are normally sent as a Portable Document Format (PDF) file directly to the Board via email.

Public Availability of Data

There is no data related to this information collection available to the public.

Legal Status

The Exchange Act authorizes the SEC and MSRB to promulgate rules requiring municipal security dealers to file reports about associated persons with the SEC and ARAs (15 U.S.C. §§ 78o-4(a)-(b) and (q)). The Board is the ARA for most Form MSD-4 and Form MSD-5 respondents (15 U.S.C. § 78c(a)(34)(A)(ii)),⁶ may enforce compliance with the SEC's and MSRB's rules (15 U.S.C. § 78o-4(c)), and make rules and regulations to implement the portions of the Exchange Act for which it is responsible (15 U.S.C. § 78w(a)). The Board is

⁵ 15 U.S.C. § 78c(34)(A)(ii).

⁶ Establishing the Board as the ARA for an MSD that is, or is the subsidiary of, an SLHC, SMB, or BHC (including a subsidiary of the BHC if the subsidiary does not already report to another ARA or to the SEC). While the Exchange Act does not specify the ARA for MSD activities of foreign dealer banks, the SEC has agreed that the Board should examine their MSD activities. See Letter from Catherine McGuire, Chief Counsel, SEC Division of Market Regulation, to Laura M. Homer, Assistant Director of Board S&R, June 14, 1994.

further authorized to require submission of the Form MSD-4 and Form MSD-5 by specific statutes governing reporting by state member banks and their affiliates (12 U.S.C. § 248(a)(1)),⁷ branches and agencies of foreign banks (12 U.S.C. § 3105(c)(2)),⁸ bank holding companies and their subsidiaries (12 U.S.C. § 1844(c)(1)(A)(ii)(II)),⁹ and savings and loan holding companies and their subsidiaries (12 U.S.C. § 1467a(b)(2)).¹⁰ Filing of the Form MSD-4 and Form MSD-5 is mandatory.

Information provided on Form MSD-4 and Form MSD-5 is kept confidential, because it is generally personal information, the disclosure of which would “constitute a clearly unwarranted invasion of privacy that is kept confidential pursuant to exemption 6 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(6)). Information contained on Form MSD-4 and Form MSD-5 may also be kept confidential under the FOIA exemption 4 if it is confidential commercial or financial information that is both customarily and actually treated as private (5 U.S.C. § 552(b)(4)) or under the FOIA exemption 8 if it is obtained as part of an examination or supervision of a financial institution (5 U.S.C. § 552(b)(8)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On December 8, 2021, the Board published an initial notice in the *Federal Register* (86 FR 69643) requesting the public comment for 60 days on the extension, without revision, of the Form MSD-4 and Form MSD-5. The comment period for this notice expired on February 7, 2022. The Board did not receive any comments. The Board adopted the extension, without revision, of the Form MSD-4 and Form MSD-5 as originally proposed. On April 6, 2022, the Board published a final notice in the *Federal Register* (87 FR 19934).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the Form MSD-4 and Form MSD-5 is 19 hours. The estimated number of annual respondents is based on the total number of forms filed with the Board in 2020. These reporting and recordkeeping requirements represent less than 1 percent of the Board’s total paperwork burden.

⁷ Authorizing the Board to “require such statements and reports” of member banks as it may deem necessary.

⁸ Subjecting branches and agencies of foreign banks to reporting requirements in the same manner as if the branch or agency were a state member bank.

⁹ Authorizing the Board to require from a BHC or any subsidiary reports as to compliance with federal laws that the Board has jurisdiction to enforce.

¹⁰ Authorizing the Board to require reports from SLHCs and their subsidiaries containing such information concerning the operations of the SLHC or subsidiary as the Board may require.

Form MSD-4 and Form MSD-5	<i>Estimated number of respondents¹¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reporting				
Form MSD-4	13	1	0.92	12
Form MSD-5	21	1	0.17	4
Recordkeeping				
Form MSD-4	13	1	0.08	1
Form MSD-5	21	1	0.08	<u>2</u>
<i>Total</i>				19

The estimated total annual cost to the public for the Form MSD-4 and Form MSD-5 is \$1,149.¹²

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing these reports is negligible.

¹¹ Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support-table-size-standards>.

¹² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by a annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$21, 45% Financial Managers at \$74, 15% Lawyers at \$71, and 10% Chief Executives at \$102). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages, May 2021*, published March 31, 2022, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.