

**SUPPORTING STATEMENT FOR
PAPERWORK REDUCTION ACT SUBMISSIONS**

**Statement of Material Change, Merger, Acquisition, or Divestiture of a
Registered Party
OMB 1405-0227
Form Number DS-7789**

A. Justification

1. Why is this collection necessary and what are the legal statutes that allow this?

By statute, Executive Order, regulation, and delegation of authority, the Directorate of Defense Trade Controls (DDTC), Bureau of Political-Military Affairs, U.S. Department of State, in accordance with the Arms Export Control Act (AECA), 22 U.S.C. 2751 *et seq.*, and the International Traffic in Arms Regulations (ITAR), 22 CFR Parts 120-130, has the principal mission of controlling the export and temporary import of defense articles and defense services. This mission is primarily accomplished through the review and issuance of export and temporary import authorization requests, maintenance of the U.S. Munitions List, the registration of manufacturers, exporters, and brokers of defense articles and defense services, and enforcement of ITAR requirements. The collection and storage of various types of data are integral to DDTC's mission and responsibilities.

ITAR §§ 122.4 and 129.8 (22 CFR 122.4 and 129.8) require registrants to notify DDTC in the event of a change in their registration information or if the registrant is a party to a merger, acquisition, or divestiture of an entity producing, marketing, or brokering ITAR-controlled items (collectively "material changes"). This information is necessary for DDTC to ensure registration records are accurate, to ensure the material change is in compliance with the regulations (e.g., verify that

a debarred entity is not in control of a registrant), to ensure export authorizations remain current (e.g., if a transfer occurs), and to evaluate the implications on national security and foreign policy.

2. What business purpose is the information gathered going to be used for?

DDTC will use the requested information to fulfill its statutorily-mandated function of ensuring that ITAR-controlled articles and technical data are not transported or transmitted to unauthorized individuals, companies, or nations and transactions involving such items are in furtherance of the foreign policy and national security interests of the United States.

3. Is this collection able to be completed electronically (e.g. through a website or application)?

No. Respondents to this collection are instructed to submit a written notification, pursuant to ITAR §§ 122.4 and 129.8. Respondents are encouraged to visit DDTC's website [‘Updating a Registration’](#) page for guidance on submissions. Questions concerning submission of this information may be directed to PM-DTCC-MAD@state.gov.

DDTC deployed a case management system, The Defense Export Control and Compliance System (DECCS). A future enhancement of DECCS will allow respondents to submit information sufficient to satisfy ITAR §§ 122.4 and 129.8 obligations electronically.

4. Does this collection duplicate any other collection of information?

DDTC is unaware of any information collections which duplicate this information.

5. Describe any impacts on small business.

This information collection applies to all entities and individuals engaged in manufacturing, brokering, and exporting of defense articles and defense services; therefore, this reporting requirement applies to large and small businesses equally.

6. What are consequences if this collection is not done?

Absent this information collection, it would be extremely difficult for DDTC to meet its legally mandated responsibilities of oversight of defense manufacturing and exports in furtherance of foreign policy objectives, national security interests, and world peace.

7. Are there any special collection circumstances (e.g., responding in less than 30 days, excessive record retention, or requiring submission of proprietary trade secrets)?

ITAR § 122.5 (OMB Control #1405-0111) requires that companies or individuals registered with DDTC maintain records for a minimum period of five years from the expiration of a license or other approval, or from the date of the transaction. In addition, to comply with the requirements of ITAR §§ 122.4 and 129.8, companies and individuals may be required to submit proprietary or business-sensitive materials for DDTC to understand the foreign policy and national security implications of a proposed transaction or change in registration.

8. Document the publication (or intent to publish) a request for public comments in the Federal Register.

The Department published a 60-Day *Federal Register* notification soliciting public comments. No comments were received.

9. Are any payments or gifts given to the respondents?

No payment or gift has been or will be provided to any respondent.

10. Describe any assurances of privacy/confidentiality.

There are no assurances of privacy or confidentiality. A privacy impact assessment (PIA) was conducted in 2017 and can be viewed at <https://www.state.gov/privacy/pias/index.htm>. This collection of information is covered under Munitions Control Records, STATE-42, which is also published on <https://www.state.gov/system-of-records-notices-privacy-office/>.

Respondents to this collection may review ITAR § 120.21, which describes DDTC's policy regarding the disclosure of information.

11. Are any questions of a sensitive nature asked?

The Department of State is not soliciting any information of a sensitive nature.

12. Describe the hour time burden and the hour cost burden on the respondent needed to complete this collection.

This information collection is estimated to take an average of 2 hours to execute, and DDTC expects to receive approximately 698 submissions per year; therefore, the total burden for this collection will be 1,396 hours per year.

According to the U.S. Department of Labor Bureau of Labor Statistics, the weighted median hourly wage for "Compliance Officers" in the United States is

\$74.02¹ per hour (\$37.01 hourly wage x 2 multiplier = \$74.02). Multiplied by the average annual hourly burden of 1,396 hours, the hour-cost burden for this information collection is \$103,331.92 per year.

13. Describe any monetary burden on the respondent needed to complete this collection.

Respondents primarily utilize mail services such as UPS and FedEx to submit documents to DDTC. DDTC estimates the average monetary cost to respondents (the cost of shipping) per submission to be approximately \$35.00. Therefore, the annual monetary burden to respondents is estimated to be \$24,430.00 based on 698 submissions per year.

14. Describe the cost to the Federal Government to complete this collection.

Three employees (2 GS-13 or equivalent and 1 GS-14 or equivalent) review and process material change, merger, acquisition, and divestiture responses. At an average annual cost of \$108,329² per employee for the GS-13 level equivalency and \$128,816 for the GS-14 level equivalency. DDTC estimates the total cost to the Federal Government to be \$345,474 ($\$108,329 \times 2 + \$128,816$).

15. Explain any changes/adjustments to this collection since the previous submission.

No changes are being made from the previous authorization.

16. Specify if the data gathered by this collection will be published.

¹ Source: Bureau of Labor Statistics; Occupational Employment Statistics
<https://www.bls.gov/oes/current/oes131041.htm>

² <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/23Tables/html/DCB.aspx>

DDTC will publish name and address changes to the DDTC website (<https://www.pmdrtc.state.gov>) if it is determined that an exception pursuant to ITAR § 126.3 is applied to waive the requirement to amend all current authorizations. DDTC publishes these notices as they are the current mechanism for letting industry know when an entity appearing on a license or other authorization changes its name. These notices serve a critical purpose with respect to notifying industry that otherwise prohibited conduct is acceptable (e.g., an exporter shipping under a new name that is not otherwise reflected on the license). No information will be published except what is necessary to announce the name or address change. DDTC is actively exploring more effective automated ways to update this information.

17. Explain the reasons for seeking approval to not display the OMB expiration date.

The Department of State will display the OMB expiration date.

18. Explain any exceptions to the OMB certification statement.

The Department of State does not seek any exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.