

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

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend 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) and Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer (Form MSD-5; OMB No. 7100-0100). 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 63 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/ReportingForms/>.

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 companies.¹ 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).²

¹ 15 U.S.C. § 78c(34)(A)(ii).

² 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.

The Board, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of Currency (OCC), 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 the Board did not collect this information, it would not be able to enforce with the registration requirements of municipal securities dealers, municipal securities representatives, and U.S. Government securities brokers or dealers and associated persons as required by the Exchange Act and to support the Board's regulatory and supervisory functions.

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, a 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.³ 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 requirements. Certain information reported on Form MSD-4 is filled out by the employee, with the rest completed by the MSD.

³ See SR letter 94-5, available at <https://www.federalreserve.gov/boarddocs/srletters/1994/SR9405.HTM>.

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.

The Board understands that respondents use information technology to comply with these provisions, including submission of the completed forms in a Portable Document Format (PDF) file directly to the Board's secured MSD-GSD Registration mailbox, as well as retaining records of the completed forms digitally as PDFs.

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.⁴

Frequency and Time Schedule

The Form MSD-4 and Form MSD-5 are submitted on an event-generated basis and are retained for 3 years. 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 days after a principal or representative terminates association with that MSD.

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 appropriate regulatory agencies (ARAs).⁵ The Board is the ARA for most MSD-4 and MSD-5 respondents,⁶

⁴ See footnote 1.

⁵ 15 U.S.C. §§ 78o-4(a)-(b) and (q).

⁶ 15 U.S.C. § 78c(a)(34)(A)(ii) (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.

may enforce compliance with the SEC’s and MSRB’s rules,⁷ and make rules and regulations to implement the portions of the Exchange Act for which it is responsible.⁸

The Board is further authorized to require submission of the Forms MSD-4 and MSD-5 by specific statutes governing reporting by state member banks and their affiliates,⁹ branches and agencies of foreign banks,¹⁰ bank holding companies and their subsidiaries,¹¹ and savings and loan holding companies and their subsidiaries.¹²

Filing of the Forms MSD-4 and MSD-5 is mandatory. Information provided on Forms MSD-4 and MSD-5 is kept confidential pursuant to exemption 6 of the Freedom of Information Act (FOIA), because it is generally personal information, “the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.”¹³ Information contained on Forms MSD-4 and MSD-5 may also be kept confidential under FOIA exemption 4 if it is confidential commercial or financial information that is both customarily and actually treated as private¹⁴ or under FOIA exemption 8 if it is obtained as part of an examination or supervision of a financial institution.¹⁵

Consultation Outside the Agency

The Board consulted with the FDIC and OCC to confirm that there were no changes required as part of this clearance.

Public Comments

On December 23, 2024, the Board published an initial notice in the *Federal Register* (89 FR 104537) requesting 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 expires on February 21, 2025.

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 63 hours. The number of respondents is based on the average number of Form MSD-4 and Form MSD-5 filings received in the past 2 years. The burden estimates were

⁷ 15 U.S.C. § 78o-4(c).

⁸ 15 U.S.C. § 78w(a).

⁹ 12 U.S.C. § 248(a)(1) (authorizing the Board to “require such statements and reports” of member banks as it may deem necessary).

¹⁰ 12 U.S.C. § 3105(c)(2) (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).

¹¹ 12 U.S.C. § 1844(c)(1)(A)(ii)(II) (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).

¹² 12 U.S.C. § 1467a(b)(2) (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).

¹³ 5 U.S.C. § 552(b)(6).

¹⁴ 5 U.S.C. § 552(b)(4).

¹⁵ 5 U.S.C. § 552(b)(8).

adjusted down using the standard Board burden calculation methodology. These reporting and recordkeeping requirements represent less than 1 percent of the Board’s total paperwork burden.

Form MSD-4 and Form MSD-5	<i>Estimated number of respondents</i> 16	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reporting				
Form MSD-4	31	1	1.00	31
Form MSD-5	41	1	0.66	27
Recordkeeping				
Form MSD-4	31	1	0.08	2
Form MSD-5	41	1	0.08	<u>3</u>
<i>Total</i>				63

The estimated total annual cost to the public for these collections of information is \$4,401.¹⁷

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 information collections is negligible.

¹⁶ Of these respondents to this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support-table-size-standards>.

¹⁷ Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group’s hourly rate and then summed (30% Office & Administrative Support at \$23, 45% Financial Managers at \$84, 15% Lawyers at \$85, and 10% Chief Executives at \$124). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2023, published April 3, 2024 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.