

Supporting Statement
Industrial Banks
New Collection

INTRODUCTION

The FDIC is requesting approval from the Office of Management and Budget for the information collection captioned above. The collection is contained in a proposed rule that would establish a system of conditions and written agreements applicable to situations in which certain financial companies seek to obtain deposit insurance for, or acquire, industrial banks. In sum, this collection would provide supervisory safeguards that the FDIC believes will enhance the FDIC's supervision of industrial banks that become subsidiaries of certain financial companies.

A. JUSTIFICATION

1. Circumstances and Need

Industrial banks controlled by companies that engage only in financial activities and that are not subject to Federal consolidated bank supervision present issues that warrant restrictions and requirements not generally necessary in the case of industrial banks controlled by financial companies that are subject to Federal consolidated bank supervision. Because the companies affected by the proposed rule are not subject to consolidated Federal supervision, they are subject to less rigorous supervision and oversight. The FDIC believes that safeguards can nonetheless be implemented that provide protections necessary to avoid or control the risks to the industrial bank and/or the Deposit Insurance Fund arising from such ownership.

To provide those safeguards, systems must be established through the use of appropriate conditions and written agreements to permit, for example, the examination of, and reporting by, the parent financial companies and their subsidiaries. In addition, binding commitments must be obtained from such companies to the effect that they will serve as a resource for additional capital for the industrial bank subsidiaries. This collection will fulfill those needs.

2. Use of Information Collected

The collection will be used by the FDIC as part of the decision-making process regarding applications for deposit insurance and notices of change in bank control. In addition, the FDIC will also use the collection to establish and implement supervisory strategies appropriate to each of the affected institutions and their parent organizations. Further, the FDIC will use the collection in considering any request under the proposed section 354 in the enclosed Notice of Proposed Rulemaking (NPRM), and to mitigate potential risk posed to the subsidiary industrial bank and/or the Deposit Insurance Fund.

3. Use of Technology to Reduce Burden

The FDIC has created a secure interactive web site between insured institutions and the FDIC (*FDICconnect*) for use in submitting certain applications or filings. On an ongoing basis, the FDIC reviews collections to determine if converting to electronic collection using *FDICconnect* is cost beneficial. Currently, applicants, notificants, and existing institutions use a variety of methods to supply required information.

4. Efforts to Identify Duplication

The information required by this collection is not collected elsewhere.

5. Minimizing Burden

The collection was designed to impose the minimum burden consistent with the FDIC's statutory mandates.

6. Consequence of Less Frequent Collection

Frequency is consistent with the FDIC's statutory mandates and less frequent collection would result in potentially increasing risk to the subsidiary industrial bank and/or the Deposit Insurance Fund.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The FDIC has published an NPRM with an unusually long comment period (90 days) seeking public comment on every aspect of this collection of information.

9. Payment or Gifts to Respondents

None.

10. Confidentiality

Certain information required by the collection may be available to the public, depending upon corporate structure and ownership; any information deemed to be of a confidential nature would be exempt from public disclosure under the Freedom of Information Act (5 U.S.C. 552).

11. Information of a Sensitive Nature

No questions of a sensitive nature are included in the collection.

12. Estimate of Annual Burden

The collection consists of reporting and recordkeeping requirements associated with the supervision of insured industrial loan companies or industrial banks that become subsidiaries of financial companies after the effective date of the rule. More specifically, the collection consists of an initial listing of all of the company's subsidiaries, and an annual update to that list; an annual report regarding the company's operations and activities; occasional other reports regarding the activities, financial condition, risk monitoring systems, transactions with the subsidiary industrial bank, and compliance with Federal laws, of, or by, the company and each of its subsidiaries; quarterly reports on capital ratio calculations; external audits; maintenance of capital and liquidity; maintenance of certain records; and notices and applications seeking FDIC approval to take certain actions. These information collections are contained in sections 354.4 and 354.5 of the enclosed NPRM.

Number of respondents: 3 per year.

Recordkeeping: 217 hours.

Reporting: 38 hours.

Total hours to comply with the collection annually: 255 per institution.

Total estimated annual burden: 3 affected organizations x 255 hours each
= 765 burden hours per year.

Average hourly rate: \$87 per hour.

Total annual cost: \$22,185 per institution.

13. Capital Start-up and Operation/Maintenance Costs

None.

14. Annual Cost to the Federal Government

Number of respondents: 3 per year.

Hours to review the collection annually: 275 to 475 per respondent.

Average hourly rate: \$79 per hour.

Total annual cost: \$21,725 to \$37,525 per respondent.

Total annual cost to government: 3 respondents x \$21,725 to \$37,525
= \$65,175 to \$112,575.

15. Reason for Change in Burden

Because this is a new collection, the entire burden increase of 765 burden hours is a program change.

16. Publication

The information collected is generally not published. The information is retained in files in the Washington, D.C., Office of the Division of Supervision and Consumer Protection, FDIC, or in the division's applicable Regional Offices.

17. Display of Expiration Dates

Not applicable.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Statistical methods are not employed in these collections.

Attachment

NPRM (72 FR 5217 (February 5, 2007))