

SUPPORTING STATEMENT
SECURITIES OF INSURED NONMEMBER BANKS
(OMB No. 3064-0030)

INTRODUCTION

The Federal Deposit Insurance Corporation ("FDIC") is requesting OMB approval to renew without change the above-captioned collection of information. Approval for the current collection expires on March 31, 2007. The information collection requirements are contained in 12 CFR 335 of the FDIC's regulations. The information is collected from FDIC-supervised banks and from officers, directors and shareholders subject to the securities registration requirements of the Securities Exchange Act of 1934, as amended ("the Exchange Act"). The information is considered necessary for actual and potential investors making investment decisions concerning securities issued by reporting banks.

BACKGROUND

Section 16 of the Exchange Act requires officers, directors, and persons who beneficially own more than 10% of a specified class of registered equity securities to publicly report their transactions in equity securities of the issuer, and allows the securities issuing company to recover profits made on "short-swing" transactions occurring in any six-month period. A provision of Section 12(i) of the Exchange Act requires the FDIC to issue substantially similar regulations to those imposed by the SEC, unless SEC amendments are found not necessary or appropriate.

A. Justification

1. Circumstances and Need

Section 16(b) of the Exchange Act provides a private right of action by the issuer or the shareholders to bring an action against reporting persons to recover any "short-swing profits" made by reporting persons during a six month period. In order to discover short-swing profits, the public must rely upon the filings of FDIC beneficial ownership reports, which disclose information related to transactions in and ownership of the registered bank's securities. Without this disclosure, there is a greater possibility that reporting persons could engage in transactions in violation of Section 16 of the Exchange Act.

2. Use of Information Collected

The FDIC reviews the information collected to ensure that it complies with federal law and makes public all information required to be filed under these rules. Current and potential investors, depositors, and the public use the information to make informed decisions about such banks.

3. Use of Technology to Reduce Burden

Prior to the passage of the Sarbanes-Oxley Act of 2002, FDIC regulations required these forms to be filed in hard copy (paper). The Sarbanes-Oxley Act changed this requirement by mandating electronic filing. The FDIC is compliant with this law, and 100% of filers now file their forms electronically.

4. Efforts to Identify Duplication

Generally, the requested information will not otherwise be available. The required disclosures are unique, and do not duplicate data reported for other purposes.

5. Minimizing the Burden on Small Banks

This collection of information imposes upon banks who have more than \$10 million in total assets and 500 or more stockholders, only the minimum burden necessary to fulfill statutory requirements under the Securities Exchange Act of 1934 and to serve investors, depositors, and the public. Congress sought to be sensitive to the needs of small entities by affording sufficient time in which to file the forms. The SEC considered the resources of small entities in formulating its rules and regulations, and clarified and simplified the forms and instructions thereto to the extent practicable. The FDIC is also sensitive to the needs of small entities.

6. Consequence of Less Frequent Collection

Form 3 must be filed only once, upon an individual's attainment of insider status. Form 4 is required only when there is a transaction in the issuer's securities. Form 5 is required on an annual basis, and only when there has been a non-reported prior transaction in the issuer's securities. To require the information less frequently would be to defeat the purpose of Section 16 of the Exchange Act, which is timely disclosure of insider trades.

7. Special Circumstances

There are no special circumstances.

8. Notice and Comment; Consultation with Persons Outside the FDIC

A "first" Federal Register notice seeking comment was published on December 26, 2006 (71 FR 77398). No comments were received.

9. Payment or Gift to Respondents

There are no payments or gifts to respondents.

10. Confidentiality

These are public documents.

11. Information of a Sensitive Nature

No information of a sensitive nature is collected.

12. Estimate of Annual Burden

Number of Respondents: 1,333
Number of Responses per Respondent: 1.35
Total Annual Responses: 1,800
Hours per Response: 0.6
Total Annual Burden Hours: 1,100

The estimated annual cost is \$ 66,000

13. Start-up, Capital and Operating Costs

There are no start-up, capital and operating costs.

14. Annual Cost to Federal Government

Staff Compensation	\$500,000
Office Overhead	<u>100,000</u>
Total	600,000 x .10 = <u>\$60,000</u>

An allocation factor of 10 percent has been used to estimate the percent of staff time devoted to all Securities Exchange Act activities related to the filing storage and retrieval of beneficial ownership reports. The overall dollar estimate is based upon annual budget allocation for staff (4 employees) and overhead necessary to maintain this function in the FDIC's Accounting and Securities Disclosure Section which administers the applicable regulations and maintains public files of beneficial ownership reports as part of its regulatory responsibility. The FDIC merely makes the forms available to the public, and generally only reviews these forms to verify accuracy of the disclosure in proxy material.

15. Reason for Change in Burden

There is no change in burden.

16. Publication

No publication of the information is made.

17. Exception to Expiration Date Display

None needed.

18. Exceptions to Certification

None.

Attachments

- A. Statutory Authority (15 USC 78l; relevant parts of Sarbanes-Oxley)
- B. 12 CFR 335
- C. Forms 3, 4, and 5
- D. "First" Federal Register notice; draft "second" Federal Register notice