

**Supporting Statement for the  
Notice of Change in Bank Control,  
Interagency Notice of Change in Director or Senior Executive Officer, and  
Interagency Biographical and Financial Report  
(FR 2081a,b,c; OMB No. 7100-0134)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the mandatory Interagency Notice of Change in Bank Control, the Interagency Notice of Change in Director or Senior Executive Officer, and the Interagency Biographical and Financial Report (FR 2081a,b,c; OMB No. 7100-0134). Each of these forms is used to collect information in connection with applications and notices filed by bank holding companies (BHCs), state member banks, and individuals prior to proposed changes in the ownership or management of banking organizations.

The information collected by these notices and reporting form assist the Federal Reserve Board, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) (collectively, the agencies), in fulfilling their statutory responsibilities as supervisors. The agencies use the information to evaluate the controlling owners, senior officers, and directors of the insured depository institutions subject to their oversight. The information collected in an Interagency Notice of Change in Bank Control (FR 2081a) submitted to the Federal Reserve is provided by persons proposing to make significant investments in a BHC or state member bank. The information collected in the Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b) is required under Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and is submitted to the Federal Reserve (under certain circumstances) by a BHC or state member bank making changes in its board of directors or senior executive officers. The Interagency Biographical and Financial Report (FR 2081c) is not a stand-alone reporting form; it is a companion reporting form to the FR 2081a and the FR 2081b (and to other Federal Reserve information collections) that is used to gather required information about the individuals involved in various applications and notices. For the Federal Reserve, the estimated annual reporting burden for BHCs and state member banks is 5,756 hours.

**Background and Justification**

The Notice of Change in Bank Control originated in 1979 as a result of the enactment of the Change in Bank Control Act of 1978 (the CBC Act -- 12 U.S.C. 1817(j)). Under the CBC Act, an individual (which may include a group of individuals or certain companies) needs to seek the prior approval of the appropriate federal banking agency before acquiring control of an insured depository institution or its parent holding company(ies). The agencies use the information from the FR 2081a, FR 2081b, and FR 2081c to evaluate the qualifications of specific individuals organizing, acquiring control, or managing an insured depository institution to ensure that the proposed transactions are permissible under law and regulation and are

consistent with safe and sound banking practices.<sup>1</sup> One of the major objectives of the CBC Act is to prevent serious adverse effects resulting from unsuitable ownership of, inadequate financial support for, and unsuitable management of insured depository institutions or their parent holding companies.

Under Section 914 of FIRREA, when an insured depository institution or BHC meeting certain financial or supervisory criteria intends to add an individual to its board of directors or employ an individual as a senior executive officer, the prior consent of one of the agencies is required.<sup>2</sup> The FR 2081b is used by either the institution or the individual to file a prior notice with the institution's appropriate federal banking agency. The purpose of Section 914 is to give the agencies an opportunity to object if the competence, experience, character, or integrity of the individual who seeks to be employed or otherwise associated with the institution is not in the best interests of the depositors of the institution or the public.

In 1996, a task force of representatives from the agencies was formed to review the FR 2081 reporting process. The filing requirements were adapted and reformatted to consist of three separately titled notices: the Interagency Notice of Change in Control (FR 2081a), the Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b), and the Interagency Biographical and Financial Report (FR 2081c). The latter form was developed to ensure the consistency and completeness of information collected with respect to individuals seeking to be involved with bank or thrift organizations that are seeking to expand or in troubled condition. The development of these notices and reporting form resulted in reduced burden for the various affected filers. The information requested in the FR 2081a, FR 2081b, and FR 2081c is not available from any other source and is necessary for the Federal Reserve to fulfill its supervisory responsibilities.

### **Description of the Information Collection**

The FR 2081a is used by an individual (or a group of individuals or companies that would not be BHCs after consummation of the proposed transaction) seeking to acquire shares of an insured depository institution or a BHC (or group of BHCs). The notice is submitted to the appropriate federal regulatory agency of the target organization. The notice includes a description of the proposed transaction, the related purchase price and funding source, and the personal and financial information of the proposed acquirer(s) and any proposed new management.

The FR 2081b is used, under certain circumstances, by an insured depository institution, a BHC, or the affected individual to notify one of the agencies of a proposed change

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1 In considering a notice under the CBC Act, the Agencies must evaluate the following factors: the financial condition of the acquiring party(ies) and of the holding company or bank to be acquired; the competence, experience, and integrity of the acquiring party(ies) and of any proposed new management of the holding company or bank to be acquired; and the effect of the transaction on competition. An additional factor of evaluating the future prospects of the institution to be acquired was recently added with enactment of the Financial Services Regulatory Relief Act on October 13, 2006. This additional statutory requirement did not modify the current information collection requirements associated with the three subject forms (FR 2081a,b,c).

2 Such employment may include an individual that is not directly compensated, but otherwise is allowed to exert significant influence over, or who participates in, major policy making decisions of the regulated institution.

in the institution's board of directors or senior executive officers. The notice of proposed change in director or senior executive officer must be filed with the institution's appropriate federal regulatory agency for prior consent if the institution is experiencing certain financial or supervisory difficulties. An insured depository institution or BHC is subject to this prior consent requirement if it is not in compliance with all minimum capital requirements, is in troubled condition or, otherwise, is required by the Federal Reserve to provide such notice.

The FR 2081c is used by certain shareholders, directors, and executive officers, in connection with different types of applications filed with the agencies. Information requested on this reporting form is subject to verification and must be complete. As with all the notices and reporting forms, requests for clarification or supplementation of the original filing may be necessary.

### **Time Schedule for Information Collection**

The FR 2081a is event-generated and must be filed at least sixty days prior to the proposed change in control. The statute provides that action on the notice is to be taken within sixty days after the receipt of a complete notice, unless the time period is extended. As a result of the 1986 and 2006 amendments to the CBC Act, the agencies are allowed to extend the initial sixty-day processing period for an additional thirty days for any reason and then to extend processing for two additional forty-five-day periods for certain enumerated reasons (such as submission of incomplete or inaccurate information by the acquiring person).

The FR 2081b must be filed at least thirty days prior to certain insured depository institutions (or BHCs) adding a member to the board of directors or employing an individual as a senior executive officer. The proposed director or senior executive officer may begin service thirty days after a complete notice has been received, unless the responsible agency issues a notice of disapproval of the proposed addition or employment before the end of the thirty-day period. The time period for review may be extended for an additional sixty days for any reason and for a more extended period at the request of the notificant.

The FR 2081c is used by individuals in conjunction with other notices or applications, and is submitted to the appropriate regulatory agency according to deadlines associated with those other notices or applications. The reporting form is not a stand-alone report.

### **Legal Status**

The Board's Legal Division has determined that the FR 2081a and FR 2081c are mandatory under section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)). The Board's Legal Division has determined that the FR 2081b and FR 2081c are mandatory under Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act (12 U.S.C. 1831(i)).

The Federal Reserve treats the notices and reporting form as public documents. The organizations and individuals that use the forms may request that all or a portion of the submitted information be kept confidential. In such cases, the burden is on the filer to justify the

exemption by demonstrating that disclosure would cause substantial competitive harm or result in an unwarranted invasion of personal privacy or would otherwise qualify for an exemption under the Freedom of Information Act (5 U.S.C. 552). The confidentiality status of the information submitted will be judged on a case-by-case basis.

Although notices of change in control are most often submitted by natural persons, the Federal Reserve files these submissions under the name of the state member bank or BHC to be acquired. None of the information will be stored in such a way as to allow it to be retrieved by reference to the name of the individual notificant or some number, symbol, or other identifying particular assigned to the individual. Using this approach, the collection and storage of such notices will not generate a system of records within the meaning of the Privacy Act (5 U.S.C. 552a (e)(3)). Consequently, most of the issues that usually arise under the Privacy Act will not arise in connection with the filing of notices of change in control. Because information is being collected from individuals, the Federal Reserve is required to make certain disclosures to the notificant (5 U.S.C. 552a(e)(3)). The disclosures made by the Federal Reserve on the current and proposed FR 2081 meet the requirements of the Privacy Act.

## **Consultation Outside the Agency**

The interagency working group responsible for the subject forms is comprised of representatives from the OCC, the FDIC, the OTS, and the Federal Reserve. On July 18, 2007, the Federal Reserve published a notice in the *Federal Register* (72 FR 39428) requesting public comment for sixty days on the extension, without revision, of the notices and reporting form. The comment period for this notice expired on September 17, 2007. The Federal Reserve received no comments. On October 17, 2007, the Federal Reserve published a final notice in the *Federal Register* (72 FR 58851). The OCC, FDIC, and OTS will publish a separate *Federal Register* notice requesting public comment on the extension.

## **Estimate of Respondent Burden**

As indicated in the following table, the Federal Reserve estimates the burden for the FR 2081a to be 3,150 hours annually, and the FR2081b to be 142 hours annually. The estimated response time is thirty hours for the FR2081a and two hours for the FR2081b. On average, 105 individuals or groups file a FR 2081a each year to acquire control of a state member bank or BHC, and 71 depository institutions, BHCs, or individuals notify the Federal Reserve of board of director or senior executive officer changes using the FR 2081b.

The burden associated with filing the FR 2081c as a supplement to the FR 2081a and FR 2081b is estimated to be 2,464 hours annually. On average, between three and four individuals listed on an FR 2081a or FR 2081b filing must also submit a companion FR 2081c report. The estimated response time for the FR2081c is four hours. The burden associated with filing the FR 2081c as a supplement to other applications or notices is included with those information collections. The current annual burden for the information collection is estimated to be 5,756 hours, which is less than 1 percent of the total Federal Reserve System for all information collections.

	<i>Estimated number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
2081a Change in control	105	1	30	3,150
2081b Change in officers or directors	71	1	2	142
2081c Biographical and financial	616	1	4	<u>2,464</u>
<i>Total</i>				5,756

The total annual cost to the public is estimated to be \$354,857.<sup>3</sup>

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

Costs associated with the processing of this information collection are minimal. The notices and reporting form are available on the Federal Reserve's website or are otherwise distributed to potential filers only upon request. Storage of the reported information is not currently automated. Given the relatively low volume of annual filings, the printing and distribution costs are negligible.

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<sup>3</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by annual burden hours, multiplied by hourly rate: 30% - Clerical @ \$25, 45% - Managerial or Technical @ \$55, 15% - Senior Management @ \$100, and 10% - Legal Counsel @ \$144. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.