

**Supporting Statement for
Interagency Bank Merger Act Application
(FR 2070; OMB No. 7100-0171)**

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 Bank Merger Act Application (FR 2070; OMB No. 7100-0171). The Federal Reserve System, 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) each use this application form to collect information for bank merger proposals that require prior approval under the Bank Merger Act. Prior approval is required for every merger transaction involving affiliated or nonaffiliated institutions and must be sought from the regulatory agency of the depository institution that would survive the proposed transaction. A merger transaction may include a merger, consolidation, assumption of deposit liabilities, or certain asset-transfers between or among two or more institutions (for purposes of this memorandum, these types of proposals are referred to as a merger or other restructuring). The Federal Reserve collects this information so that it may meet its statutory obligation to evaluate the competitive, financial, managerial, future prospects, and convenience and needs aspects of each state member bank (SMB) merger proposal. For the Federal Reserve, the estimated annual reporting burden for SMBs is 1,686 hours.

Background and Justification

The FR 2070 was instituted in 1960 with the enactment of section 18(c) of the Federal Deposit Insurance Act (the FDI Act) which is known as the Bank Merger Act. The FR 2070 was discontinued in 1990 when the Application for Prior Approval for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-2) was amended for use with a broader range of proposals. The FR Y-2 was modified not only for use with proposals filed pursuant to sections 3(a)(3) and 3(a)(5) of the Bank Holding Company Act (the BHC Act), but also for proposals filed pursuant to section 18(c) of the FDI Act and section 9 of the Federal Reserve Act (the FR Act). At the time, it was felt that there was sufficient commonality with the information requirements of these three types of expansionary proposals to use the same application form. However, subsequent experience indicated that the resulting application form was more cumbersome and somewhat more confusing than originally anticipated. As a consequence, the FR 2070 was reinstated in 1994.

The FR 2070 was reformatted in 1998 to address directives in the Riegle Community Development and Regulatory Improvement Act of 1994 that the agencies should (to the extent consistent with principles of safety and soundness, statutory law, and policy) work together to make uniform all regulations and guidelines implementing common statutory or supervisory policies. The bank merger application forms of each of the agencies were viewed to be subject to the directive. The new interagency bank merger application form streamlined filing requirements and identified specific information that each of the agencies believed was necessary for reviewing a bank merger proposal. Supplemental pages were added to collect certain

additional information that individual agencies believed was critical to the consideration of a bank merger proposal. The supplemental questions and advice were intended to address particular concerns of the individual agencies and facilitate the overall review process.

The Federal Reserve requires data from the FR 2070 for regulatory and supervisory purposes and to allow the Federal Reserve to fulfill its statutory obligations under the Bank Merger Act. The application form obtains the information necessary for the Federal Reserve to evaluate (with respect to an SMB merger or other restructuring) the competitive effects of the proposal, the financial and managerial resources and future prospects of the existing and proposed banking organizations, and the convenience and needs of the affected communities. The application form also collects information on the basic legal and structural aspects of the proposed transaction and on the extent to which the surviving SMB intends to retain and continue operating as individual branches the headquarters and branches of the target bank.

The collected information is not available from any other source and is used by the Federal Reserve to determine whether a proposal is financially sound, competitively acceptable, and consistent with the public interest.

Description of the Information Collection

The FR 2070 is submitted by an SMB seeking to effect a merger or other restructuring. The application form collects information on the competitive, financial, managerial, legal, structural, and convenience and needs aspects of each proposed transaction. The completed application form is submitted to the appropriate Reserve Bank of the SMB resulting from the proposal.

Time Schedule for Information Collection

This information collection is event-generated. The FR 2070 is used whenever an SMB needs to request prior approval to effect a merger or other restructuring. If the proposed transaction meets established criteria for the application to be processed on a delegated basis, the Reserve Bank or Secretary of the Board generally acts on the proposal within 30 calendar days of receipt of the application. If the proposal does not meet the criteria for processing under delegated authority, the application will be acted upon by the Board. Such an application will generally be acted on within 60 calendar days of receipt of the application, unless the applicant is notified that the processing period is being extended and informed of the reasons for the extension.

Legal Status

The Board's Legal Division has determined that section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) authorizes the Board to require this application. The Federal Reserve treats the Interagency Bank Merger Act Application as a public document. However, applicants may request that parts of a submitted application be kept confidential. In such cases, the burden is on the applicant 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.

Consultation Outside the Agency

The interagency working group that reviews potential revisions to and estimates burden for this application form is comprised of representatives from the OCC, the FDIC, the OTS, and the Federal Reserve. On June 25, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 36393) requesting public comment for 60 days on the extension, without revision, of the FR 2070. The comment period for this notice expired on August 24, 2010. The Federal Reserve did not receive any comments. On September 13, 2010, the Federal Reserve published a final notice in the *Federal Register* (75 FR 55580).

Estimate of Respondent Burden

As shown in the following table, the current annual burden for the FR 2070 is estimated to be 1,686 hours. The annual reporting burden estimate is based on the average number and type of applications processed for SMBs in 2009. The interagency working group has estimated an average response time of 30 hours for applications filed to effect a merger, consolidation, assumption of deposit liabilities, or other combining transaction between nonaffiliated parties; and 18 hours for applications filed to effect a corporate reorganization between affiliated parties. The annual burden of this information collection represents less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Estimated number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Nonaffiliate Transactions	49	1	30	1,470
Affiliate Transactions	<u>12</u>	1	18	<u>216</u>
<i>Total</i>	61			1,686

The total annual cost to the public is estimated to be \$70,981.¹

Sensitive Questions

¹ 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% Office & Administrative Support @ \$16, 45% Financial Managers @ \$48, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$76). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2008, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

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 application are minimal. The FR 2070 is available on the Federal Reserve's website or otherwise distributed to potential filers 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.