

Supporting Statement for the Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company (FR Y-3F; OMB No. 7100-0119)

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 Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company (FR Y-3F; OMB No. 7100-0119). Under the Bank Holding Company Act (BHCA), submission of this application is required for any company organized under the laws of a foreign country seeking to acquire a U.S. subsidiary bank or bank holding company. Applicants must provide financial and managerial information, discuss the competitive effects of the proposed transaction, and discuss how the proposed transaction would enhance the convenience and needs of the community to be served. The Federal Reserve uses the information, in part, to fulfill its supervisory responsibilities with respect to foreign banking organizations in the United States. The current annual burden is estimated to be 580 hours.

Background and Justification

The FR Y-1F was first used in 1982. Prior to the creation of the FR Y-1F, foreign applicants filed the FR Y-1, together with a special supplement.¹ In 2005, the FR Y-1F was retitled, renumbered to the FR Y-3F, and modified to achieve consistency with the FR Y-3, the Application for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (OMB No. 7100-0121), the application form used by domestic holding companies.

The information collected in the application form is necessary for the Federal Reserve to fulfill its responsibilities under the BHCA and the Foreign Bank Supervision Enhancement Act. The application is the only source of comprehensive and systematic data on the proposed transaction, the present and pro forma financial condition of the applicant and its proposed subsidiary(ies), the likely competitive effects of the proposal, and its likely effects on the convenience and needs of the public. Thus, the Federal Reserve uses the data to determine if proposals are financially sound, competitively acceptable, and consistent with the public interest. In addition, among other things, the form collects information on foreign bank applicants to determine if the comprehensive consolidated supervision standard is met. Such information is also used after consummation in the supervision program for foreign banking organizations.

Description of Information Collection

The FR Y-3F is filed by any company, organized under the laws of a foreign country, seeking initial entry through the acquisition of a bank or bank holding company in the United States. Applicants provide financial and managerial information and discuss the competitive effects of the proposed transaction and how the proposed transaction would enhance the convenience and needs of the community to be served. The application must contain the most recent information available so that the Federal Reserve can analyze compliance with relevant

¹ The FR Y-1 (OMB No. 7100-0119), was designed for domestic applicants; the supplement adapted the FR Y-1 for submissions by foreign applicants. In 1994, the FR Y-1 was combined with the FR Y-2 (OMB No. 7100-0171) to create the FR Y-3 (OMB No. 7100-0121). The FR Y-1 and FR Y-2 were discontinued.

statutory factors.² While the application collects the minimum amount of information needed, the instructions explicitly state that the formal questions in the application are not intended to limit the applicant's presentation.

Time Schedule for Information Collection

The applicant is required to publish a notice in a newspaper of general circulation in the community where the head office of the bank to be acquired is located. The notice must state the name and address of the applicant and its proposed subsidiary, and it must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than 15 calendar days before and no later than 7 calendar days after the date that the application is filed with the appropriate Reserve Bank. The application will be acted on within 60 days, unless the Federal Reserve notifies the applicant that the processing period is being extended and indicates the reasons for the extension.

Legal Status

The Board's Legal Division has determined that this application is authorized by sections 3(a), 3(c), and 5(a) through 5(c) of the Bank Holding Company Act (12 U.S.C. §§1842(a), (c) and 1844(a) - (c)). Completion of the application is required to obtain or retain a benefit for any foreign organization seeking to establish or acquire a U.S. bank or bank holding company. The information provided in the application is not confidential unless the applicant specifically requests confidentiality and the Federal Reserve approves the request. The instructions convey the confidentiality requirements to applicants.

Consultation Outside the Agency

On December 28, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 81607) requesting public comment for 60 days on the extension, without revision, of the Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company. The comment period for this notice expired on February 28, 2011. The Federal Reserve did not receive any comments. On March 10, 2011, the Federal Reserve published a final notice in the *Federal Register* (76 FR 13188).

Estimate of Respondent Burden

The total annual burden for these reports is estimated to be 580 hours, as shown in the following table. The current burden estimates are based on the number of responses received during a typical year. The estimated average hours per response for initial entry is 90 hours and the estimated average hours per response for foreign organizations that have already received approval to establish a branch or agency or to acquire a U.S. bank is 70 hours. The reporting

² Under the BHCA, the Board may not approve transactions that would result in monopoly or have other anticompetitive effects, unless such effects are "clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." The BHCA further directs the Board to consider the financial and managerial resources and future earnings prospects of the banks involved in the proposed transaction.

requirement of this application represents less than 1 percent of total Federal Reserve System paperwork burden.

| | <i>Average number of respondents</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|------------------------|--------------------------------------|-------------------------|---|--------------------------------------|
| Initial application | 1 | 1 | 90 | 90 |
| Subsequent application | 7 | 1 | 70 | <u>490</u> |
| <i>Total</i> | | | | 580 |

The total annual cost to the public for this application is estimated to be \$24,418.³

Sensitive Questions

This application contains no sensitive questions, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve of printing, mailing, and processing the FR Y-3F is negligible. The application form is available electronically from the Federal Reserve Board's Public web site (<http://www.federalreserve.gov/reportforms/default.cfm>).

³Total 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/