

# Instructions for Preparation of FR Y-3F Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company

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## Purpose

This application collects data that are used to evaluate the present and pro forma ownership structure and financial condition of the applicant and its proposed subsidiary(ies), the home country supervisory regime, and the proposed transaction in terms of its effects on competition in the relevant market, and the convenience and needs of the public.

## Who Must File This Application

Any company organized under the laws of a foreign country that is seeking to acquire a U.S. bank or bank holding company must file this application.

## Nonbanking Activities

If Applicant proposes as part of this transaction to engage, directly or indirectly, in any U.S. nonbanking activity, Applicant must file a companion FR Y-4 application. See section 225.28 of Regulation Y for a listing of permissible nonbanking activities approved by regulation and section 225.24 for application procedures to engage in those and other nonbanking activities. See also Item 17 below.

## Financial Holding Companies

If Applicant seeks to become a financial holding company in connection with the proposed transaction, it must submit the necessary written declaration as part of the FR Y-3F filing. The declaration must conform to Regulation Y (sections 225.81 and 225.82, or sections 225.90, 225.91, and 225.92, as appropriate). Applicant should contact the appropriate Reserve Bank for further information.

If the proposal involves a financial holding company that is seeking to acquire a depository institution that is not well capitalized or well managed, Applicant must contact the appropriate Reserve Bank regarding the development and execution of an agreement acceptable to the Federal Reserve. The agreement will outline the actions to be taken by Applicant to address the financial and/or managerial deficiencies of the depository institution, and any limitations on the activities of Applicant until those deficiencies are satisfactorily addressed. The agreement must be executed prior to or upon consummation of the proposed transaction.

## Tiered Applicant Organizations

In tiered organizations that consist of more than one foreign bank applicant, each parent foreign bank of the foreign bank applicant must respond individually to Items 5 (internal controls), 6 (financial information), 7 and 8 (home country supervision), and 9 (anti-money laundering measures). If an applicant organization within

the structure is not a foreign bank, it should consult with the appropriate Reserve Bank regarding the financial and managerial information that should be provided.

## Preparation of Application

For relevant filing information, Applicants should consult the Board's Regulation Y (12 CFR Part 225), a copy of which is available on the Board's public website at [www.federalreserve.gov/regulations/](http://www.federalreserve.gov/regulations/) or through any Reserve Bank. Additional filing information is available on the Board's public website at [www.federalreserve.gov/generalinfo/applications/afi/](http://www.federalreserve.gov/generalinfo/applications/afi/).

Inquires regarding the preparation and filing of applications should be directed to the appropriate Reserve Bank as defined in Regulation Y. Applicants are encouraged to contact Federal Reserve staff as soon as possible for assistance in identifying the specific type of information that should be provided in the application (particularly information related to convenience and needs or competitive considerations, including management official interlocks subject to Regulation L (12 CFR Part 212)) and to determine whether an examination of the bank(s) to be acquired will be required in connection with the proposed transaction.

The required application is to be filed by submitting the information requested in this form to the appropriate Reserve Bank. Alternative formats, if used, must provide all requested information. The application must be substantially complete and responsive to each item of information requested (including an indication that the answer is "not applicable" or "none" where such is the case) in order to be considered properly filed in accordance with the requirements of the BHC Act.

The appropriate Reserve Bank, within the established time limitations, will review the submitted application to determine if it is substantially complete. If so, an acknowledgement letter will be sent indicating the date the application has been formally accepted for processing. If not, the application will be returned to the Applicant. As necessary to complete the record of the application, a request for additional information will be sent to the contact person named in the application. Under certain circumstances, name check and financial information may be required; such information for individuals should be submitted on the Interagency Biographical and Financial Report (FR 2081c; OMB No. 7100-0134), and may be submitted in advance of the application. Contact the appropriate Reserve Bank for further information.

The Federal Reserve System reserves the right to require the filing of additional statements and information. If any information initially furnished in the application changes significantly during processing of the application, these changes should be communicated promptly to the appropriate Reserve Bank.

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## Publication Requirement

For applications filed pursuant to section 3 of the BHC Act, Applicant should publish a notice in a newspaper of general circulation in the community(ies) in which the head offices of the target bank holding company, its largest subsidiary bank, and each bank to be directly or indirectly acquired is located. The newspaper notice should provide opportunity for the public to submit written comments on the proposal for at least 30 calendar days after the date of publication, and must be published no more than 15 calendar days before and no later than 7 calendar days after the date the application is filed with the appropriate Reserve Bank. On written request by the Applicant, the Reserve Bank may publish notice of proposals in the Federal Register no more than 15 calendar days before the application is filed.

Applicant should consult with the appropriate Reserve Bank or the Board's public website for the specific publication format used at that Reserve Bank. A copy of the newspaper notice publication must be provided to the appropriate Reserve Bank, as required by section 262.3(b) of the Board's Rules of Procedure.

The following is a sample notice:

Notice of Application for  
(Formation of Bank Holding Company) or  
(Acquisition of a Bank or Bank Holding Company  
by a Bank Holding Company) or  
(Merger of Bank Holding Companies)

(Name and location of head office) intends to apply to the Federal Reserve Board for permission to (form a bank holding company with respect to) (acquire a bank,) (acquire/merge with another bank holding company,) (name and location of head office). We intend to acquire control of (name of bank and location of head office; include name and location of savings association or other non-bank insured depository institution, if any). The Federal Reserve considers a number of factors in deciding whether to approve the application, including the record of performance of banks we own in helping to meet local credit needs.

You are invited to submit comments in writing on this application to the Federal Reserve Bank of \_\_\_\_\_, (address of appropriate Reserve Bank). The comment period will not end before (date must be no less than 30 days from the date of publication of the application) and may be somewhat longer. The Board's procedures for processing applications may be found at 12 CFR Part 262. Procedures for processing protested applications may be found at 12 CFR 262.25. To obtain a copy of the Federal Reserve Board's procedures, or if you need more information about how to submit your comments on the application, contact (name of Reserve Bank contact and telephone number). The Federal Reserve will consider your comments and any request for a public meeting or formal hearing on the application if they are received in writing by the Reserve Bank on or before the last day of the comment period.

## Confidentiality

Under the provisions of the Freedom of Information Act (the "FOIA"), 5 U.S.C. § 552, the application is a public document and available to the public upon request. Once submitted, an application becomes a record of the Board and may be requested by any member of the public. Board records generally must be disclosed unless they are determined to fall, in whole or in part, within the scope of one or more of the FOIA exemptions from disclosure. See 5 U.S.C. § 552(b)(1)-(9).

The exempt categories include (but are not limited to) "trade secrets and commercial or financial information obtained from a person and privileged or confidential" (exemption 4), and information that, if disclosed, "would constitute a clearly unwarranted invasion of personal privacy" (exemption 6). An Applicant may request confidential treatment for any information submitted in or in connection with its application that Applicant believes is exempt from disclosure under the FOIA. For example, if Applicant is of the opinion that disclosure of commercial or financial information would likely result in substantial harm to its competitive position or that of its subsidiaries, or that disclosure of information of a personal nature would result in a clearly unwarranted invasion of personal privacy, confidential treatment of such information may be requested. Any request for confidential treatment must comply with the requirements of the Board's "Rules Regarding Availability of Information" (the "Board's Rules"), 12 CFR Part 261.

The request for confidential treatment must be submitted in writing concurrently with the filing of the application (or subsequent related submission), and must discuss in detail the justification for confidential treatment. Such justification must be provided for each portion of the application or submission for which confidential treatment is requested. Applicant's reasons for requesting confidentiality must specifically describe the harm that would result from public release of the information. A statement simply indicating that the information would result in competitive harm or that it is personal in nature is not sufficient. (A claim that disclosure would violate the law or policy of a foreign country is not, in and of itself, sufficient to exempt information from disclosure. Applicant must demonstrate that disclosure would fall within the scope of one or more of the FOIA exemptions from disclosure.) Applicant must follow the steps outlined immediately below, and certify in the application that these steps have been followed. These same steps must be followed with respect to any subsequent submission related to this application for which confidential treatment is sought.

Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled "CONFIDENTIAL."

This application requires the submission of information to the Fed-

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eral Reserve regarding individuals. The submission of information on individuals can raise privacy concerns. Some of the details provided may be highly sensitive. Under limited circumstances, the information may be subject to withholding from public disclosure under the FOIA.

Applicant ultimately is responsible for taking appropriate measures to safeguard the confidentiality of information it provides to the Federal Reserve, including details regarding individuals.<sup>1</sup> The Federal Reserve expects Applicant to ensure that it has the legal authority to provide information regarding individuals to the Federal Reserve Board and, on behalf of each individual, to consent or object to public release of the information.

Accordingly, Applicant must confirm (on the cover sheet to this filing) that Applicant has the authority (a) to provide information regarding individuals to the Federal Reserve, and (b) on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve will assume, in the absence of a request for confidential treatment submitted in accordance with the Board's Rules that the Applicant and individual consent to public release of all details in the application and in any related submissions containing information concerning that individual.

The Federal Reserve will determine whether information submitted as confidential will be so regarded, and will advise Applicant of any decision to make available to the public information labeled "CONFIDENTIAL." However, it shall be understood that, without prior notice to Applicant, the Board may disclose or comment on any of the contents of the application in the Order or Statement issued by the Board in connection with its decision on the application. The Board's staff normally will apprise Applicant in the course of the review process that such information may need to be disclosed in connection with the Board's action on the application.

For further information on the procedures for requesting confidential treatment and the Board's procedures for addressing such requests, consult the Board's Rules Regarding Availability of Information, 12 CFR part 261, including 12 CFR 261.15, which specifically addresses requests for confidential treatment.

## Newly Chartered Bank

If a proposed new operating bank or charter conversion is involved, Applicant should contact the appropriate Reserve Bank before the review process for the charter and deposit insurance of the proposed new or converted bank begins to determine the appropriate time(s) when the related Federal Reserve application(s) should be filed, and to discuss the informational requirements for the specific proposal. Applicants are encouraged to remain in contact with the appropriate Reserve Bank during the review process.

## Supporting Information

The formal questions in the application are not intended to limit Applicant's presentation. Applicant bears the full burden for presenting and documenting a case to meet the statutory criteria for approval. Supporting information for any or all factors, setting forth the basis for Applicant's judgment, may accompany the application.

## Compliance

The Board expects Applicant to comply with all representations and commitments made in this application. Applicant should immediately contact the Federal Reserve if there is any material change in the information contained in the application prior to consummation.

## Requested Information

### I. Proposed Transaction

#### Item 1

Provide the following with respect to the Bank/Bank Holding Company to be acquired:

1. Total number of shares of each class of stock outstanding;
2. Number of shares of each class now owned or under option by Applicant, by subsidiaries of Applicant, by principals<sup>1</sup> of Applicant, by trustees for the benefit of Applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by Applicant;
3. Number of shares of each class to be acquired by cash purchase, the amount to be paid, per share and in total, and the source of funds to be applied to the purchase;
4. Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of Applicant's shares to be exchanged;
5. A brief description of any unusual contractual terms, emphasizing those terms not disclosed elsewhere in the application. Also, provide the expiration dates of any contractual arrangement between the parties involved in this application; and
6. Describe briefly the due diligence review conducted on the target
  1. The term principal as used herein means any individual or corporation that (1) owns or controls, directly or indirectly, individually or as a member of a group acting in concert, 10 percent or more of the outstanding shares of any class; (2) is a director, trustee, partner, or executive officer; or (3) with or without ownership interest, participates, or has the authority to participate in major policy-making functions, whether or not the individual has an official title or is serving without compensation. If Applicant believes that any such individual should not be regarded as a principal, Applicant should so indicate and give reasons.

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company by Applicant. Indicate the scope of and the resources committed to the review, explain any adverse findings, and describe the corrective action(s) to be taken to address those deficiencies. As an alternative to developing the foregoing information, provide a copy of the purchase, operating or other agreements associated with the proposed transaction.

### Item 2

Discuss any material change in the financial condition of Bank/Bank Holding Company since the most recent examination/inspection. Indicate the amount of any dividend payment by Bank/Bank Holding Company since the date of the most recent report of condition and report of income and dividends. Also, indicate the amount of any Bank/Bank Holding Company dividends that are planned prior to consummation. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for Bank a copy of all schedules from the most recent report of condition and report of income and dividends as filed with a Federal supervisory authority.

### Item 3

1. For applications filed pursuant to section 3(a)(1) of the BHC Act, which concerns initial acquisition of bank shares or assets, provide for Applicant and Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:

- a. Name and address (City and State/Country). If the principal's country of citizenship is different from his or her country of residence, then state the country of citizenship;
- b. Title or positions with Applicant and Bank
- c. Principal occupation if other than with Applicant or Bank; and
- d. Percentage of direct or indirect ownership, if such ownership represents 10 percent or more of any class of shares, or positions held in any other U.S. depository institution or depository institution holding company.<sup>2</sup> Give the name and location of such other U.S. depository institution or depository institution holding company. (Information that has been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.)

2. For application filed pursuant to sections 3(a)(3), which concerns subsequent acquisition of bank shares, or 3(a)(5) of the BHC Act, which concerns bank holding company mergers, list any changes in management or other principal relationships for Applicant

and the Bank/Bank Holding Company which will result from the proposal. For any existing or proposed principal of Applicant or Bank/Bank Holding Company that is also a principal of any other U.S. depository institution or depository institution holding company, provide the following information:

- a. Name, address, and title or position with Applicant, Bank/Bank Holding Company, and the other U.S. depository institution or depository institution holding company (give name and location of the other U.S. depository institution or depository institution holding company);
- b. Principal occupation if other than with Applicant or Bank/Bank Holding Company; and
- c. Percentage of direct or indirect ownership held in the other U.S. depository institution or depository institution holding company if such ownership represents 10 percent or more of any class of shares. (Information that has been collected or updated within the past 12 months may be substituted, unless Applicant has reason to believe that such information is incorrect.)

## II. Operations, Structure, and Ownership of Applicant

### Item 4

1. For a foreign organization seeking initial entry:

- a. Discuss whether Applicant engages directly in the business of banking outside the United States. In this regard, Applicant should address whether it engages directly in banking activities usual in connection with the business of banking in the countries in which it is organized or operating.
- b. Provide a brief history of Applicant, including ranking by asset size in the home country.
- c. Provide a brief summary of Applicant's experience in international banking. The discussion should include a general description of the volume and character of Applicant's current international business and the location, number, and asset size of direct offices overseas.
- d. Provide an organization chart for Applicant and its ultimate parent, if any, showing all subsidiaries of Applicant and its ultimate parent.<sup>3</sup>

2. For purposes of the application, a depository institution is defined as a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union.

3. The "ultimate parent" of a foreign bank is the parent of the foreign bank that is not a subsidiary of any other company. A "subsidiary" is any organization 25 percent or more of whose voting shares is directly or indirectly owned, controlled, or held with the power to vote by a company, including a foreign bank or foreign banking organization, or any organization that is otherwise controlled or capable of being controlled by a foreign bank or foreign banking organization.



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- e. Provide the name, asset size, general activities, place of incorporation, and ownership share held by Applicant for each of Applicant's direct and indirect subsidiaries that comprise 1 percent or more of the Applicant's worldwide consolidated assets.
  - f. List all persons (natural as well as legal) in the upstream chain of ownership of Applicant who, directly or indirectly, own 5 percent or more of the voting shares of Applicant and its ultimate parent, if any. Provide information concerning any voting agreements or other mechanisms that exist among shareholders for the exercise of control over Applicant or its ultimate parent.
  - g. For the two individuals with the most senior decision-making authority for any applicant foreign bank provide the biographical information requested in the Interagency Biographical and Financial Report FR 2081c (the Financial Report need not be provided). This information may be submitted in advance of the application.
  - h. Provide for Applicant and Bank/Bank Holding Company copies of their most recent quarterly and annual reports prepared for shareholders.
2. For a foreign organization that has previously been approved to acquire a U.S. bank or to establish a U.S. branch or agency:
    - a. Provide current information on the foreign bank's ranking by asset size in the home country.
    - b. Provide current information regarding all persons (natural as well as legal) in the upstream chain of ownership of Applicant who, directly or indirectly, own 5 percent or more of the voting shares of the foreign bank and its ultimate parent, if any. Provide information concerning any voting agreements or other mechanisms that exist among shareholders for the exercise of control over the foreign bank or its ultimate parent(s).

### Item 5

1. for a foreign organization seeking initial entry: Describe the methods used by Applicant to monitor and control its operations, including those of its domestic and foreign subsidiaries and offices (e.g., through internal reports and internal audits). Note the scope and frequency of those methods and whether the methods are subject to review by external auditors and/or the home country supervisor. Also, state whether audit results are shared with the home country supervisor and/or Applicant's external auditors.
2. For a foreign organization that has previously been approved to acquire a U.S. bank or to establish a U.S. branch or agency:

Confirm (or modify as appropriate) that there have been no material changes in the methods used by the foreign bank to monitor and control its operations, including those of its domestic and foreign subsidiaries, since the Federal Reserve's most recent determination that the foreign bank is subject to comprehensive consolidated supervision.

### III. Financial and Managerial Information

The financial statements should be stated in the local currency of the country in which the head office of Applicant is located. The financial statements may also be stated in U.S. dollars, but conversion to U.S. dollars is not required. The statements should be prepared in accordance with local accounting practices; however, an explanation of the accounting terminology and the major features of the accounting standards used in the preparation of the financial statements must be provided. This explanation should include a discussion of the following practices and any other material practices as determined by the Applicant:

- The accounting principles used for consolidation of investments on a line-by-line basis in the preparation of the financial statements. Comments should address the method and/or criteria by which the majority-owned companies are consolidated on a line-by-line basis, and the basis for carrying value and manner of income recognition of any majority-owned subsidiaries that are not consolidated on a line-by-line basis. The method of valuation of the investments in which Applicant owns between 20 percent and 50 percent, i.e., historical cost, net asset value (book value), market value, or appraised value, and the manner of the recognition of income should be included.
- The accounting practices used in the valuation, e.g., historical cost, net asset value (book value), market value, or appraised value, of short-term investments, long-term investments, and fixed assets. Comments should disclose the manner of the recognition of increases and/or decreases in the value of the assets.
- The recording of guarantees, letters of credit, contingencies, leases, pension obligations, and other similar accounts on the books of Applicant. The explanation should indicate whether such accounts are carried as assets and/or liabilities on Applicant's financial statements, are disclosed as footnotes to the financial statements, or are undisclosed.
- The method utilized in translating foreign currency transactions and foreign currency financial statements with respect to current assets, long-term investments, fixed assets, long-term debt, and forward exchange contracts. The discussion should also include the method of recognition of any gains or losses resulting from such translation and the effect of the translation upon the recognition of revenue and expense and the determination of net income.

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- The method by which interest revenue and interest expenses are recorded on the books of Applicant.

## Item 6

Provide the following for each Applicant:

1. Parent-only and consolidated balance sheets showing separately each principal group of assets, liabilities and capital accounts as of the end of the most recent fiscal quarter and the two (2) most recent fiscal yearends; debit and credit adjustments (explained by footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet.

NOTE: Goodwill and all other intangible assets should be set out separately on the balance sheet according to type of intangible. Also indicate the amortization period for any amortizable intangible asset on the balance sheet.

2. If the Applicant and any parent foreign bank are from countries subscribing to the Basel Accord, provide, on a consolidated basis, a breakdown of each organization's risk-weighted assets as of the end of the most recent fiscal quarter, showing each principal group of on- and off-balance sheet assets and the relevant risk weights. Also, identify the components of tier 1 and tier 2 capital under the Basel risk-based capital guidelines and provide calculations of the ratios of tier 1 and total capital to risk-weighted assets for the Applicant and any parent foreign bank. Provide the amount, maturity, and a brief description of debt instruments and indicate which instruments qualify under the Basel risk-based capital guidelines as tier 2 capital for each organization. If the home country capital standards of the Applicant or any parent foreign bank differ from that established under the Basel Accord, provide information concerning the capital standard applied in the home country of the Applicant and any parent foreign bank, as well as information sufficient to evaluate each organization's capital position adjusted as appropriate for accounting and structural differences. Further, provide, to the extent possible, information comparable to the Basel format.
3. Proforma calculations of the ratios of tier 1 and total capital to risk-weighted assets for the Applicant and any parent foreign bank.
4. Income statements, parent-only and consolidated, showing separately each principal source of revenue and expense, through the end of the most recent fiscal quarter and for the past two (2) fiscal years.
5. Material changes between the date of the balance sheets and the date of the application should be disclosed. If there are no material changes, a statement to that effect should be made.
6. Current information that will enable the Board to make a judgment as to the quality of Applicant's assets. The information

should be presented for Applicant's consolidated organization and, if available, should include, but need not be limited to, the following (Applicant should provide definitions of the terms.):

- a. Asset classifications or assessments made by foreign banking authorities;
  - b. Delinquencies;
  - c. Non-accrual loans;
  - d. Assets acquired in satisfaction of debts previously contracted;
  - e. Loans with reduced interest charges; and
  - f. Foregone interest income on non-accrual and reduced interest loans.
7. Total reserves available to cover credit-related losses for the end of the most recent quarter end and the two most recent fiscal year ends. The total reserve amounts should be broken down into "specific" "general," and/or other relevant categories.

## IV. Home Country Supervision

In order to approve an application by a foreign bank to become a bank holding company, the Board must determine that the Applicant and any parent foreign bank are each subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the home country of each bank. The Board considers this standard met if the foreign bank's home country supervisor receives sufficient information on the foreign bank's worldwide operations (including the bank's relationships to any affiliates) to assess the foreign bank's overall financial condition and compliance with law and regulation. In making such a determination, the Board assesses, among other factors, the extent to which the home country supervisor:

- ensures that the foreign bank has adequate procedures for monitoring and controlling its activities worldwide;
- obtains information on the condition of the foreign bank and its subsidiaries and offices outside the home country through regular reports of examination, audit reports, or otherwise;
- obtains information on the dealings and relationship between the foreign bank and its affiliates, both foreign and domestic;
- receives from the foreign bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the foreign bank's financial condition on a worldwide, consolidated basis; and
- evaluates prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

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## Item 7

1. For a foreign organization seeking initial entry: Describe the bank regulatory system that exists in the home country of Applicant and, if different, the home country of any foreign bank in the ownership chain.<sup>4</sup>

The response should identify Applicant's primary home country supervisor and the major laws governing Applicant's operations and activities. The description also should include a discussion of each of the following:

- a. The scope and frequency of on-site examinations by the home country supervisor. Describe the scope and frequency of on-site examinations, identifying the operational areas reviewed and the general procedures used by the home country supervisor to evaluate asset quality and internal controls. Also, discuss the manner in which the home country supervisor monitors the condition and operations of Applicant's subsidiaries and foreign offices.
- b. Off-site monitoring by the home country supervisor. Discuss the general type and frequency of filing of regulatory and financial reports submitted by Applicant to the home country supervisor. Specify whether the reports contain information on the domestic and foreign subsidiaries of Applicant and, if so, whether this information is provided on a consolidated basis or for each entity separately.
- c. The role of external auditors. Discuss the general frequency, nature, and scope of review of Applicant (including subsidiaries and foreign offices) performed by external auditors, particularly with respect to the review of asset quality and internal controls. Discuss whether the home country supervisor sets standards for such reviews and the manner (if at all) by which the external audit results are communicated to the home country supervisor. Include a brief discussion of the general standards or requirements that apply to the external auditors themselves.
- d. Transactions with Affiliates. Indicate whether (and, if so, discuss how) the home country supervisor regulates and moni-

tors Applicant's transactions with its affiliates (e.g., through reporting requirements, lending limits, or other restrictions). Define the home country's definition of "affiliate" for this purpose (if different from the Federal Reserve's definition<sup>5</sup>), and specify whether any such restrictions apply to "upstream," "downstream," or "sister" affiliates.

- e. Other Applicable Prudential Requirements. To the extent not previously addressed, describe any prudential limitations (e.g., with respect to capital adequacy, asset classification and provisioning, single or aggregate credit and foreign currency exposure limits, and liquidity) that are imposed on the operations of Applicant. Describe the methods used by the home country supervisor to monitor compliance with these limitations.
  - f. Remedial Authority of the Home Country Supervisor. Describe the general methods available to the home country supervisor to enforce Applicant's compliance with prudential controls and other supervisory or regulatory requirements.
  - g. Prior approval requirements. Indicate whether prior approval of the home country supervisor is needed for Applicant to make investments in other companies, or generally to establish overseas offices. Indicate the type of information the home country supervisor reviews in making its determination.
2. For a foreign organization that has previously been approved to acquire a U.S. bank or to establish a U.S. branch or agency:

Provide the date of the Federal Reserve's most recent determination that the foreign bank is subject to comprehensive consolidated supervision. Confirm (or modify as appropriate) that there have been no material changes in the manner in which the foreign organization, including any parent holding companies, is supervised and regulated by its home country supervisor(s) since that time.

## Item 8

Indicate what other home country regulatory authorities, if any, in addition to the primary home country supervisor, supervise subsidiaries or particular activities of Applicant. Briefly describe the financial and/or examination requirements, including the general scope and frequency of on-site examinations, if any, of each such regulatory authority. Also, discuss whether such regulatory authorities exchange information with the primary home country supervisor, including financial or other supervisory information.

<sup>4</sup> If the Federal Reserve has previously determined that another bank from Applicant's home country is subject to comprehensive consolidated supervision, Applicant may request a copy of the previous application from the Federal Reserve under the Freedom of Information Act. After reviewing the record in the previous application, Applicant may make a statement that it is subject to the same supervisory regime as the foreign bank previously considered by the Federal Reserve, rather than responding to each subpart of this Item. In addition, Applicant should confirm that there have been no material changes in the manner in which Applicant is supervised and regulated by its home country supervisor(s) since that previous application or, if material changes have occurred, Applicant should describe such changes.

<sup>5</sup> An "affiliate" of a foreign bank or of a parent of a foreign bank is any company that controls, or is controlled by, or is under common control with, the foreign bank or the parent of the foreign bank.

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## V. Anti-Money Laundering and Other Related Measures

### Item 9

- 1 For a foreign organization seeking initial entry:
  - a. Describe any home country laws or regulations that are designed to deter or prohibit money laundering, terrorist financing, or other illicit activities. Also, describe the requirements that Applicant's (and any foreign bank parent's) home country supervisor imposes on banks for the detection and prevention of money laundering, terrorist financing, and other illicit activities, and the reporting of suspicious transactions.
  - b. Discuss the actions taken by Applicant (and any foreign bank parent) to ensure that the bank and its offices and subsidiaries have implemented sufficient safeguards to prevent such operations from being used for purposes of money laundering, terrorist financing, or other illicit activities. The response should describe:
    - i. the policies and procedures implemented with respect to anti-money laundering policies and measures, including any customer due diligence, recordkeeping, and cash and/or suspicious transaction reporting requirements;
    - ii. the steps taken to ensure compliance with these policies and procedures (including the nature and frequency of employee training and compliance monitoring by internal auditors); and
    - iii. the extent to which these policies and procedures are subject to independent external audit and examination by the home country supervisor.

The response should indicate whether the financial institution-specific recommendations of the Financial Action Task Force ("FATF") have been implemented throughout the organization.<sup>6</sup> The response also should confirm (or modify as appropriate) that the anti-money laundering and counter-terrorist financing policies and procedures would be implemented at BANK.

2. For a foreign organization that has previously been approved to acquire a U.S. bank or to establish a U.S. branch or agency:

Indicate whether there have been any material changes in either the anti-money laundering laws and regulations of the home country of the foreign bank or of Applicant or in the foreign bank's anti-money

6. These recommendations can be obtained from the following website: <http://www.oecd.org/fatf/index.htm>.

laundering policies and procedures, since the Federal Reserve's most recent review of such matters.

## VI. Competition

If the subject transaction is a bank holding company formation involving only one bank or an application filed pursuant to section 3(a)(3) or 3(a)(5) of the BHC Act to acquire a de novo bank, a response to items 10 and 11 is not required. Otherwise, Applicant should contact the appropriate Reserve Bank to determine whether a response to items 10 and 11 will be necessary. If a response is required, Applicant should obtain a preliminary definition of the relevant banking markets from the appropriate Reserve Bank. If Applicant disagrees with the Reserve Bank's preliminary definition of the banking market(s), it may in addition to supplying the information requested on the basis of the Reserve Bank's definition of the banking market(s), include its own definition of the banking market(s), with supportive data, and answer the questions based on its definition. If later analysis leads Federal Reserve staff to alter the preliminary definition provided, Applicant will be so informed.

### Item 10

Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board's Rules Regarding Delegation of Authority (section 265.11c(11)(v)). Applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constitutes part of the proposal, discuss in detail the specifics and timing of such divestiture.

### Item 11

If the proposal involves the acquisition of nonbank operations under section 4(c)(8) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with FR Y-3F filing. At a minimum, the information related to the nonbank operations should include the following:

1. A description of the proposed activity(ies);
2. The name and location of Applicant's and Bank's direct or indirect subsidiaries that engage in the proposed activity(ies);
3. Identification of the geographic and product markets in which competition would be affected by the proposal;
4. A description of the effect of the proposal on the competition in the relevant markets; and 5. A list of major competitors in each affected market. In addition, the applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided.



# Instructions for Preparation of FR Y-3F Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company - Continued

5. A list of major competitors in each affected market.

In addition, Applicant should identify any other nonbank operations to be acquired, with brief descriptions of the activities provided.

## VII. Convenience and Needs

### Item 12

In an application in which any principal of Applicant or Bank/Bank Holding Company is also a principal of any other insured U.S. depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.

### Item 13

1. Describe how the proposal will meet the convenience and needs of the target Bank's community(ies). List any significant changes in services or products that will result from the consummation of the transaction. If any services or products will be discontinued, describe and explain the reasons.
2. Discuss the programs, products, and activities of the depository subsidiaries of the Applicant or the target Bank that will meet the existing or anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) regulation, including the needs of low- and moderate income geographies and individuals. For a subsidiary of the Applicant or Target Bank that has received a CRA composite rating of "needs to improve" or "substantial noncompliance" institution-wide or, where applicable, in a state or multi-state MSA, or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which the applicant is expanding as a result of the transaction, describe the specific actions, if any, that have been taken to address the deficiencies in the institution's CRA performance record since the rating.

## VIII. Other Matters

### Item 14

1. For a foreign organization seeking initial entry: List all jurisdictions (in addition to the home country) in which Applicant has material operations.<sup>7</sup> For each such jurisdiction, describe any

<sup>7</sup> Material operations exist in any jurisdiction in which the direct and indirect activities in that jurisdiction, in the aggregate, account for 5 percent or more of the consolidated, worldwide assets of the foreign bank or its ultimate parent.

secrecy laws or other impediments that would restrict the ability of Applicant or its ultimate parent, if any, from providing information on the operations or activities of Applicant and any of its affiliates that the Board deems necessary to determine and enforce compliance with the International Banking Act, the BHCA, and other applicable federal laws. If any material impediments exist, discuss the manner in which Applicant and its ultimate parent, if any, propose to provide the Board with adequate assurances of access to information.

2. For a foreign organization that has previously been approved to acquire a U.S. bank or to establish a U.S. branch or agency:

Indicate whether there have been any changes to the list of jurisdictions in which foreign bank has material operations since such information was previously provided to the Federal Reserve. For any additional such jurisdiction, describe any secrecy laws or other impediments that would restrict the ability of Applicant or its ultimate parent, if any, to provide information on the operations or activities of Applicant and any of its affiliates that the Federal Reserve deems necessary to determine and enforce compliance with the International Banking Act, the BHCA, and other applicable federal laws. If such impediments exist, discuss the manner in which Applicant and its ultimate parent, if any, propose to provide the Federal Reserve with adequate assurance of access to such information.

### Item 15

State whether Applicant(s), upon consummation of the subject proposal, would be a qualifying foreign banking organization as defined in Section 211.23(a) of Regulation K, and provide the necessary information to support such a determination. In tiered organizations, if a foreign bank Applicant meets the requirements of section 211.23(a) but the ultimate parent Applicant does not, then indicate whether the ultimate parent Applicant would satisfy the requirements set forth in section 211.23(c) of Regulation K, and provide the necessary information to support that determination. To the extent the information requested in this item has been provided in other report forms (FR Y-7) filed with the Federal Reserve, Applicant(s) may include such information by reference to those filings.

### Item 16

If Applicant's home country maintains capital export controls, discuss in detail the limitations such controls would place on Applicant's ability to serve as a source of strength for its United States banking interests.

### Item 17

If Applicant itself, or any company (banking and nonbanking) in which it will have direct or indirect ownership or control of more

## Instructions for Preparation of FR Y-3F Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company - Continued

than 5 percent of the voting shares, will engage directly or indirectly at the time of consummation of this proposal in any nonbanking activities in the United States, provide the following:

1. Name, location, and a detailed description of all the activities for each company (or Applicant itself);
2. The state(s) or geographical areas in which each nonbanking activity will be performed; and
3. The specific section and paragraph of the Act or of Regulation K or Regulation Y that Applicant believes provides authority for acquisition or retention of each U.S. nonbanking activity and a description that demonstrates that each activity will be conducted consistent with the Board's regulations and related interpretations. If Applicant has relied on the nonbanking exemptions afforded by Section 2(h) and 4(c)(9) of the Act (as implemented by Section 211.23 of Regulation K) for certain activities, provide the necessary information to support such a determination. To the extent the information requested Item 17 has been provided to the Federal Reserve in other report forms (Form FR Y-7 or FR Y-10F), Applicant may include such information by reference to those filings.

### Item 18

Applicant and its ultimate parent, if any, should provide (jointly or separately) the following commitments (including all footnotes) through an officer that is authorized to bind the entity making the commitment.

1. **Assurances Commitment.** Each of [name of applicant] ("Bank"), a bank organized under the laws of [home country], and [name of ultimate parent] ("Parent"), a [company/bank] organized under the laws of [home country], will make available to the Board of Governors of the Federal Reserve System ("Board") such information on the operations of Bank and any affiliate<sup>8</sup> of Bank that the Board deems necessary to determine and enforce compliance with the Bank Holding Company Act, the International Banking Act, and other applicable federal law, provided that if the disclosure of such information is prohibited by law or otherwise, Bank and Parent will cooperate with the Board including, without limitation, by seeking to obtain timely waivers of or exemptions from any applicable confidentiality or secrecy restrictions or requirements in order to enable Bank or Parent to make any such information available to the Board.

Bank and Parent agree that this commitment is deemed to be a condition imposed in writing in connection with the Board's findings and decision on (insert information describing the application) and, as such, may be enforced in proceedings under applicable law.

2. **Consent To Jurisdiction.** Each of [name of applicant] ("Bank"), a bank organized under the laws of [home country], and [name of ultimate parent] ("Parent"), a [company/bank] organized under the laws of [home country], consents to the jurisdiction of the federal courts of the United States and of all United States governmental agencies, departments and divisions for purposes of any and all claims made by, proceedings initiated by, or obligations to, the United States, the Board of Governors of the Federal Reserve System ("Board"), and any other United States governmental agency, department or division, in any matter arising under U.S. Banking Law.<sup>9</sup>

Each of Bank and Parent designates [name and address] as its registered agent to receive service of process on Bank or Parent in connection with such action. Bank and Parent agree to maintain a registered agent in the United States and to notify the Board of any change in the designated registered agent. Bank and Parent agree that this commitment is deemed to be a condition imposed in writing in connection with the Board's findings and decision on (insert information describing the application) and, as such, may be enforced in proceedings under applicable law.

9. For purposes of this commitment, "U.S. Banking Law" means:
  - a. all federal and state statutes, rules, and regulations that the Board, the Office of the Comptroller of the Currency (the "OCC"), the Federal Deposit Insurance Corporation (the "FDIC"), or any other federal banking agency or department (individually, a "Federal Banking Authority" and collectively, the "Federal Banking Authorities") administers or for which such Federal Banking Authority has rulemaking or enforcement authority, including without limitation, all provisions of Title 12, United States Code, as from time to time may be applicable to [Bank], its subsidiaries and affiliates, and any institution-affiliated party (as defined in section 3(u) of the Federal Deposit Insurance Act (an "IAP")) of each thereof;
  - b. all federal criminal laws of which violation(s) arise(s):
    - i. from the applicability of any provision of a U.S. Banking Law, or
    - ii. under Section 1001 of Title 18 of the United States Code as it relates to information, statements, omissions, writings, or reports to a Federal Banking Authority, or
    - iii. under Sections 1004 through 1007 of Title 18 of the United States Code, or any other provisions of Title 18 of the United States Code applicable to the ownership, control, operations or activities of a bank, bank holding company, or subsidiary thereof, to the operations or activities of a foreign bank or a branch or agency of a foreign bank, or to the activities of any IAP with respect to such bank, bank holding company, or subsidiary, or branch or agency, or
    - iv. the Bank Secrecy Act, or the Currency and Foreign Transactions Reporting Act; and,
  - c. any order issued or written agreement entered into by any Federal Banking Authority or an administrative law judge acting under authority delegated by any Federal Banking Authority or federal court of competent jurisdiction pursuant to a U.S. Banking Law against or with one or more of [Bank or Parent], any subsidiary or affiliate, any IAP, or any branch or agency.