

**Supporting Statement for  
Bank Holding Company Applications and Notifications  
(FR Y-3, FR Y-3N, and FR Y-4; OMB No. 7100-0121)**

**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 Bank Holding Company Application and Notification Forms (OMB No. 7100-0121):

- 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 (FR Y-3),
- the Notification for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-3N) and
- the Notification for Prior Approval to Engage Directly or Indirectly in Certain Nonbanking Activities (FR Y-4).

The Federal Reserve requires the submission of these filings for regulatory and supervisory purposes and to allow the Federal Reserve to fulfill its statutory obligations under the Bank Holding Company Act of 1956 (the BHC Act). These filings collect information on proposals by BHCs involving formations, acquisitions, mergers, and nonbanking activities. The Federal Reserve must obtain this information to evaluate each individual transaction with respect to financial and managerial factors, permissibility, competitive effects, net public benefits, and the impact on the convenience and needs of affected communities. The current combined annual burden for the application and notifications is estimated to be 11,924 hours.

**Background and Justification**

The FR Y-3 was created in July 1994 as a replacement for the Application for Prior Approval to Become a Bank Holding Company (FR Y-1; OMB No. 7100-0119) and the Application for Prior Approval for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-2; OMB No. 7100-0171). The FR Y-1 and FR Y-2 applications had been in existence since the implementation of the BHC Act.

The FR Y-3N was created in April 1999 to accommodate certain changes to Regulation Y (approved by the Board on February 19, 1997) that established streamlined review processes for certain applications and notifications. These revisions reduced the burden and delay associated with the review process for proposals filed under section 3 of the BHC Act by well-run BHCs (those institutions that meet objective and verifiable measures for each of the criteria set forth in the BHC Act and Regulation Y). These procedures (which became effective April 21, 1997) reduced the amount of information required to be provided by a filer and permitted the Federal Reserve System to take expedited action on proposals meeting the qualifying criteria set forth in the regulation.

The FR Y-4 was created in June 1971 as a result of amendments to the BHC Act in 1970 permitting BHCs to engage in certain nonbanking activities. The notification form was significantly revised in April 1999 to accommodate other 1997 revisions to Regulation Y that established streamlined procedures for certain nonbanking proposals. These new procedures

were intended to reduce significantly the regulatory burden associated with the review process for proposals filed under section 4 of the BHC Act by well-run BHCs.

In 1999, minor additions and substitutions to the FR Y-3 and the FR Y-3N and deletions to the FR Y-4 were necessary after passage of the Gramm-Leach-Bliley Act (the GLB Act). The revisions reflected that a filing organization could seek to become, or already had become, a financial holding company (FHC), as well as other related modifications. The 2004 and 2007 reviews of these application and notifications continued to focus on modifications that clarify the information needed for specific types of proposals, as more detailed initial filings (that fully explain the particular type of proposal) have proven to be the best means for reducing the time and burden associated with the review of these applications.

The Federal Reserve has the sole authority to act on the transactions contemplated under the application and notification forms. The information requested for each type of filing is necessary for the Board to fulfill its responsibilities under the BHC Act. The completed filings are the primary source of comprehensive data on the structure of the proposal, the pro forma financial condition of the filer and of its subsidiary(ies), the competitive position of the filer and entities being acquired, the effect that the proposal would have on the public interest, and the nonbanking activities in which the filer proposes to engage. This information is not available from any other source, and the information is critical to the Federal Reserve being able to determine whether a proposed transaction is financially sound, competitively acceptable, and consistent with the public interest.

## **Description of Information Collection**

The FR Y-3, FR Y-3N, and FR Y-4 are event generated. The application and notification forms collect information concerning proposed BHC formations, acquisitions, mergers, and proposed nonbanking activities. The acquisitions may involve bank, nonbank, and BHC targets. Generally these applications and notifications are submitted to the appropriate Federal Reserve Bank by existing or proposed BHCs. A Reserve Bank participates in the review of every application and notification filed by a BHC for which it is responsible. Certain proposals are approved by a Reserve Bank under delegated authority, while certain other proposals are forwarded to the Board or the Secretary of the Board for action.<sup>1</sup>

The financial information required for bank and BHC acquisitions is generally collected at both the holding company and bank level. The competitive data for such banking proposals generally involve only the affected local banking markets, with collection normally at the branch level and occasionally at the bank level. Financial information for nonbank applications is collected on the BHC and the particular company(ies) involved in the transaction. Nonbank competitive information is collected on a local, regional, or national basis, depending on the product or activity involved.

### **FR Y-3**

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<sup>1</sup> In an emergency situation (such as to avert the failure of a bank or savings association), the Director of the Division of Banking Supervision and Regulation may take the actions permitted of a Reserve Bank.

The FR Y-3 application form is completed by an:

- organization seeking prior approval to become a BHC through the acquisition of one or more banks; and
- existing BHC seeking prior approval to (i) acquire 5 percent or more of the shares of an additional bank, (ii) acquire additional shares of any bank in which a BHC already has an ownership position of 5 percent or more, but less than 50 percent,<sup>2</sup> (iii) merge or consolidate with another BHC, or (iv) otherwise acquire all or a portion of the assets of a bank.

These applications are reviewed under the procedures described in section 225.15 of Regulation Y and are filed in the event the institution does not meet the requirements for filing the FR Y-3N (discussed below). Each of the applications requires information on the proposed transaction, information on competition, convenience and needs, and financial and managerial information. The FR Y-3 instructions describe the publication requirements for each application.

### **FR Y-3N**

The FR Y-3N notification form is completed:

- for certain BHC formations, using the abbreviated notice procedures described in section 225.17 of Regulation Y; and
- to acquire shares, assets, or control of a bank, or a merger or consolidation between BHCs using the streamlined procedures described in section 225.14 of Regulation Y.

Formation notifications filed under section 225.17 of Regulation Y must be provided in writing and contain a certification that the requirements of 12 U.S.C. 1842(a)(C) and section 225.17(a) of Regulation Y are met. The notification also must contain shareholder information prior to and following the reorganization, management information, and financial information.

Acquisition and merger notifications filed under section 225.14 of Regulation Y must be provided in writing and contain a certification that all of the criteria listed in section 225.14(c) are satisfied. Among other criteria, only well-capitalized and well-managed organizations may use the expedited procedure. Each notification also must contain a description of the transaction, the effect on the convenience and needs of the communities to be served, evidence of publication of the proposed transaction, financial information based on the size of the BHC, managerial and capital information that is dependent on the type of proposal, and competitive information.<sup>3</sup>

Although the FR Y-3N requests the same type of information as the FR Y-3, significantly less detail is generally required. The FR Y-3N instructions describe the publication requirements

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<sup>2</sup> Under the BHC Act, a subsidiary is defined as any bank or nonbank company in which a BHC directly or indirectly owns or controls 25 percent or more of any class of the outstanding voting shares or which is otherwise controlled by the BHC. Once a BHC owns 50 percent of a bank, the BHC Act provides that generally no further regulatory approval is required to acquire additional shares of the bank.

<sup>3</sup> In some cases, an acquisition or merger proposal may result in a person or group of persons acquiring control of a BHC for purposes of the Change in Bank Control Act (CIBC Act). The requirements of the CIBC Act may be fulfilled if the notification filed under section 225.14 of Regulation Y contains certain information required under the CIBC Act and under section 225.43 of Regulation Y.

for notifications filed under section 225.14 of Regulation Y. Notifications filed under section 225.17 do not require public notice.

#### **FR Y-4**

The FR Y-4 notification form is completed by a BHC in order to:

- acquire the assets or shares of a nonbank company (including a nonbank insured depository institution) and engage in nonbanking activities under section 4(c)(8) of the BHC Act; and
- engage *de novo* in nonbank activities under section 4(c)(8) of the BHC Act.

These notifications generally require information on the proposed transaction, information on competition and public benefits, and financial and managerial information. For notifications to engage *de novo* in nonbanking activities permissible under Regulation Y, only the name and location of the applicant, the name and location of the company that will perform the activity, the activity to be conducted, and the geographic area to be served must be submitted.

The instructions to the FR Y-4 provide substantial information about two expedited procedures for certain nonbanking proposals, one of which does not require use of the notification form. Both streamlined procedures were implemented in 1995 as replacements for other expedited procedures implemented in 1984, and both improve the ability of qualifying BHCs to respond quickly to market events. The first expedited procedure allows well-run BHCs to file post-consummation notices for proposals to engage *de novo* in nonbanking activities that have been permitted by regulation.<sup>4</sup> The second allows well-run BHCs (that also meet certain additional criteria in section 225.23(c) of Regulation Y) to seek prior Federal Reserve approval on a substantially shorter timeframe than usually occurs in the notification review process.<sup>5</sup> To use the second procedure, a BHC must file, at the appropriate Reserve Bank and at least 12 business days before effecting the proposed transaction, the FR Y-4 that contains the information required in section 225.23(a) of Regulation Y. During the 12-day review period, the Reserve Bank or the Board may indicate that a non-expedited notification is required under section 225.24 of Regulation Y.

Proposals that do not qualify for the two streamlined procedures are subject to the non-expedited procedures outlined in section 225.24 of Regulation Y. The information requirements for such a notification depend on the type of transaction and are contained in sections 225.24 (a)(1) and (2) of Regulation Y. To engage *de novo* in permissible nonbanking activities listed in section 225.28 of Regulation Y (listed activities), the BHC must file a notification containing a description of the activities to be conducted, with appropriate authorizations cited, and the identity of the company that will conduct the activity. To engage *de novo* in nonbanking activities not listed in section 225.28 of Regulation Y but previously approved by the Board

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<sup>4</sup> As indicated above, the notifying BHC does not use the FR Y-4 form to satisfy this requirement. Instead, within 10 business days after commencing the activity, the BHC submits in writing to its appropriate Reserve Bank the information and certifications specified in section 225.22(a)(3) of Regulation Y.

<sup>5</sup> The nonbanking proposals that may qualify for this expedited procedure involve a filing (i) to engage *de novo* in any nonbanking activity that the Board has permitted by order or regulation, or (ii) to acquire voting shares or assets of a going concern engaged in any nonbanking activity that the Board has permitted by order or regulation (except operating a nonbank insured depository institution). This procedure is generally shorter than other non-expedited procedures because it has no publication requirement.

(unlisted activities), or to acquire a company engaged in listed or unlisted activities, the notification must include a description of the proposal, the identity of any entity involved in the proposal, a statement of public benefits, certain financial information, a description of management expertise, internal controls, and risk-management systems to be utilized, and a copy of any purchase agreement(s). The FR Y-4 instructions describe the publication requirements for each relevant transaction.

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

The application and notifications submitted with these forms are event generated and the data are not part of any published reporting series. All timeframes are generally dependent upon when the filer chooses to enter into a transaction that requires an individual submission. The filing may be processed under various schedules. Final action may ultimately be taken by the appropriate Reserve Bank under delegated authority, by the Secretary of the Board under delegated authority, or by the Board directly.

The Board follows the retention requirements for reports set forth by an agreement with the National Archives and Records Administration on March 28, 2001. Accordingly, Reserve Bank staff should not destroy these applications and notifications.

### **FR Y-3**

The FR Y-3 applications filed under section 225.15 of Regulation Y must satisfy established criteria to be processed under delegated authority. If the delegation criteria are satisfied, the Reserve Bank or the Secretary of the Board, as appropriate, will act on the application within five business days after the close of the public comment period (which generally is about thirty days after receipt of a final filing). If it is determined that an application does not meet the criteria for processing under delegated authority, the application will be forwarded to the Board for action. These applications will be acted on within sixty calendar days of receipt, unless the Board notifies the applicant that the processing period is being extended and discloses the reasons for the extension.

## **FR Y-3N**

Proposals to form a BHC that would control a single bank and that satisfy all the criteria in section 225.17 of Regulation Y may be consummated within thirty calendar days after the BHC has provided the appropriate Reserve Bank with a notification that contains all the required information.

Proposals by existing BHCs to acquire additional banks or BHCs and that meet all the criteria in section 225.14 of Regulation Y must be acted on by the Reserve Bank or the Secretary of the Board (as appropriate) under delegated authority within five business days after the close of the public comment period.

## **FR Y-4**

Nonbanking proposals by well-run BHCs that meet all of the criteria in section 225.23(c) of Regulation Y must be acted upon by the Reserve Bank, the Secretary of the Board, or the Board (as appropriate) within twelve business days of a substantially complete filing being submitted at the appropriate Reserve Bank.<sup>6</sup>

Non-expedited notifications filed under section 225.24 of Regulation Y must satisfy established criteria to be processed under delegated authority. If the delegation criteria are satisfied, the Reserve Bank or the Secretary of the Board, as appropriate, will act on the notification within five business days after the close of the public comment period (which is generally about thirty days after receipt of the filing). If it is determined that the notification does not meet the criteria for processing under delegated authority, the application will be transferred to the Board for action generally within sixty calendar days of receipt. Under the BHC Act, the Federal Reserve System must act on nonbanking proposals within sixty days of receipt of a “complete notice,” which generally is a date sometime after the initial date of receipt. In the case of all nonbank proposals, the Board may extend the statutory sixty-day processing period for an additional thirty calendar days, if necessary, and for proposals involving unlisted activities, may extend the thirty-day processing period for an additional ninety calendar days.

For nonbanking proposals initiated under the post-consummation procedures of section 225.22(a)(3) of Regulation Y, a well-run BHC must notify the appropriate Reserve Bank within ten business days after commencing the activity.

## **Legal Status**

The Board's Legal Division has determined that the FR Y-3 application and FR Y-3N notification are mandatory pursuant to sections 3(a) and 5(b) of the BHC Act, as amended (12 U.S.C. §§ 1842(a), 1844(b)). The FR Y-4 notification is mandatory pursuant to section 4(j) of the BHC Act, as amended (12 U.S.C. § 1843(j)).

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<sup>6</sup> The Board generally acts only on those 12-day notifications that involve certain unlisted activities for which no delegated authority exists.

The information submitted in the FR Y-3, FR Y-3N, and FR Y-4 is considered to be public unless an institution requests confidential treatment for portions of the particular application or notification. Applicants may rely on any Freedom of Information Act (FOIA) exemption, but such requests for confidentiality must contain detailed justifications corresponding to the claimed FOIA exemption. Requests for confidentiality must be evaluated on a case-by-case basis.

### Consultation Outside the Agency

On September 24, 2014, the Federal Reserve published a notice in the *Federal Register* (79 FR 57101) requesting public comment for 60 days on the extension, without revision, of the FR Y-3, FR Y-3N, and FR Y-4. The comment period for this notice expired on November 24, 2014. The Federal Reserve did not receive any comments. On December 15, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 74088).

### Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

### Estimate of Respondent Burden

The annual burden for the FR Y-3, FR Y-3N, and FR Y-4 is estimated to be 11,924 hours as shown in the following table. The current burden estimates are based on the number of applications and notifications, including post-consummation notices, received in 2012 and 2013. The reporting requirement of these applications and notifications represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>FR Y-3</b>				
Section 3(a)(1)	100	1	49.0	4,900
Section 3(a)(3) and 3(a)(5)	107	1	59.5	6,367
<b>FR Y-3N</b>				
Section 3(a)(1), 3(a)(3), and 3(a)(5)	10	1	5.0	50
<b>FR Y-4</b>				
Complete notification	45	1	12.0	540
Expedited notification	13	1	5.0	65
Post-consummation	4	1	.5	2
<i>Total</i>				11,924

The total annual cost to the public for these reports is estimated to be \$606,932.<sup>7</sup>

<sup>7</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at

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

The information submitted in the application and notifications is not automated. The Federal Reserve System's costs for printing and mailing the application and notifications are minimal.

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\$61, 15% Lawyers at \$63, and 10% Chief Executives at \$86). Hourly rate for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2013, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)