

**Supporting Statement for the
Domestic Branch Notification
(FR 4001; OMB No. 7100-0097)**

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 filing requirements associated with the Domestic Branch Notification (FR 4001; OMB No. 7100-0097). The Federal Reserve Act and Regulation H require a state member bank to seek prior approval of the Federal Reserve System before establishing or acquiring a domestic branch. Such requests for approval must be filed as notifications at the appropriate Reserve Bank for the state member bank. Due to the limited information that a state member bank generally has to provide for branch proposals, there is no formal reporting form for a domestic branch notification. A state member bank is required to notify the Federal Reserve by letter of its intent to establish one or more new branches and provide with the letter evidence that public notice of the proposed branch(es) has been published by the state member bank in the appropriate newspaper(s). The Federal Reserve uses the information provided to fulfill its statutory obligation to review any public comment on proposed branches before acting on the proposals and otherwise to supervise state member banks. The current annual burden for the FR 4001 is estimated to be 131 hours.

Background and Justification

Under section 9 of the Federal Reserve Act and section 208.6 of Regulation H, a state member bank is required to obtain Federal Reserve approval before establishing or acquiring a domestic branch. The regulation defines “branch” to include “any branch bank, branch office, branch agency, additional office, or any branch place of business located in the United States or its territories (including the District of Columbia) at which deposits are received, or checks paid, or money lent.”¹ A state member bank is required under 12 C.F.R. section 208.6(a) to submit a written request to establish a branch. The Federal Reserve uses this information, along with available supervisory and financial information, to determine if the proposal is consistent with the public interest.

Branch applications are reviewed by the Federal Reserve on either an expedited or nonexpedited processing track. The Board has defined the term “eligible bank” in Regulation H

¹ Regulation H states that branches do not include: (i) a loan-origination facility where the proceeds of loans are not disbursed; (ii) an office of an affiliated or unaffiliated institution that provides services to customers of the member bank on behalf of the member bank so long as the institution is not established or operated by the bank; (iii) an automated teller machine; (iv) a remote service unit; (v) a facility to which the bank does not permit members of the public to have physical access for purposes of making deposits, paying checks, or borrowing money (such as an office established by the bank that receives deposits only through the mail); or (vi) a facility that is located at the site of, or is an extension of, an approved main office or branch. The Board determines whether a facility is an extension of an existing main or branch office on a case-by-case basis. In addition, the branches of state member banks located in foreign nations, in the overseas territories, dependencies, and insular possessions of those nations and of the United States, and in the Commonwealth of Puerto Rico, are subject to the Board’s Regulation K (12 C.F.R. § 211).

to serve as the qualifying standard for when expedited treatment is appropriate. Eligible bank is defined in section 208.2(e) of Regulation H as a bank that (1) is well capitalized as defined in Subpart D of the regulation, (2) has a composite Uniform Financial Institutions Rating System (CAMELS) rating of 1 or 2, (3) has a Community Reinvestment Act rating of outstanding or satisfactory, (4) has a compliance rating of 1 or 2, and (5) has no major unresolved supervisory issues outstanding (as determined by the Board or appropriate Federal Reserve Bank in its discretion).

Description of Information Collection

The notification for a state member bank to establish or acquire a domestic branch has no required format. The state member bank is required, however, to file a letter that includes a very limited amount of information with the appropriate Reserve Bank.² The information includes a description of the proposed branch and its proposed location, as well as evidence (such as a copy of the actual notice) that public notice of the proposed transaction has been published by the state member bank in the appropriate newspaper(s). A bank that meets the criteria for expedited treatment files only this information (and the certification described below). A bank that does not meet the criteria for expedited treatment typically is required to provide more detailed information addressing the matters that prevent the notification from qualifying for expedited treatment as well as any other outstanding issues identified by the Federal Reserve.³

As soon as practicable after the initial filing of a domestic branch notification and prior to final action on the notification by the Federal Reserve, the notificant must provide a certified copy of the requisite newspaper notice publication(s). The original newspaper notice must contain the name and location of the proposed branch, and the original comment period must be for at least 15 calendar days.⁴ Sections 208.6(a)(3) and (4) of Regulation H describe the procedural rules for public notice and comment for branch applications. A bank is not required to prepare a separate notice for submission to the Federal Reserve, but may incorporate any related filings to other regulators as a means to expedite preparation of the required letter to the Federal Reserve.

No objection is made to the notification if the bank is in satisfactory financial condition and the establishment of the proposed branch is deemed consistent with the public interest. The Federal Reserve approves the domestic branch notification in writing.

Regulation H also has a provision for the filing of consolidated branch applications. Under this provision, a state member bank may seek approval in a single application or notice for any branches that it proposes to establish within one year after the contemplated approval date.

² Those requests that involve the acquisition of an existing branch from another banking organization also require the filing of a related application under the Bank Merger Act. The information required by the FR 4001 may be incorporated in the Bank Merger Act application, with the related filings reviewed together as a single proposal.

³ A state member bank may be advised by the Federal Reserve that it is not eligible for expedited procedures either before or after the filing of a domestic branch notification. A bank may not qualify for the expedited procedures due to unresolved supervisory issues or because certain financial or managerial aspects of the proposed expansion require additional scrutiny.

⁴ The Board may, in its discretion and based on the facts and circumstances, extend the comment period for up to an additional 15 calendar days.

Unless notification is waived, the bank shall notify the appropriate Federal Reserve Bank no later than 30 days after opening any branch approved under the consolidated application. A bank is not required to open a branch approved under either a consolidated or single branch application. Branch approvals granted under this provision remain valid for one year unless the Board or the appropriate Federal Reserve Bank notifies the bank that there has been a change in the bank's condition (financial or otherwise) that warrants reconsideration of the approval.

Time Schedule for Information Collection

This information collection is event generated. The domestic branch notification must be filed prior to a state member bank establishing or acquiring a branch. Under the expedited branch notification procedure, authorization is granted by either a Reserve Bank or the Secretary of the Board between three and five business days after the end of the newspaper comment period, unless an issue is identified prior to that time. In no case would an expedited branch application be approved prior to the third business day after the end of the public comment period. A branch notification that is processed for action by either a Reserve Bank or the Secretary of the Board under nonexpedited procedures usually is approved within 30 days of its receipt. If a branch notification needs to be presented to the Board, it is usually acted on within 60 days of its receipt.

Legal Status

The Board's Legal Division has determined that section 9(3) of the Federal Reserve Act requires that state member banks obtain prior Federal Reserve approval before establishing a domestic branch (12 U.S.C. § 321). This requirement is implemented by the provisions of section 208.6 of the Board's Regulation H (12 C.F.R. § 208.6). The individual respondent information in the notification is not considered confidential.

Consultation Outside the Agency

On October 22, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 64000) requesting public comment for 60 days on the extension, without revision, of FR 4001. The comment period for this notice expired on December 21, 2015. The Federal Reserve did not receive any comments. On December 29, 2015, the Federal Reserve published a final notice in the *Federal Register* (80 FR 81324) for the FR 4001.

Estimate of Respondent Burden

The FR 4001 annual reporting burden estimate is based on the average number and type of notifications processed in 2014. The respondent burden is estimated to average one-half hour for expedited notifications and one hour for nonexpedited notifications. The current annual burden is estimated to be 131 hours, which is less than 1 percent of the total Federal Reserve System paperwork burden.⁵

⁵ The respondent numbers reflected in the following chart include notifications to acquire established branches that are filed with Bank Merger Act applications.

| FR 4001 | <i>Number of respondents⁶</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|----------------|--|-------------------------|---|--------------------------------------|
| Expedited | 60 | 1 | 0.5 | 30 |
| Nonexpedited | 101 | 1 | 1.0 | <u>101</u> |
| <i>Total</i> | | | | 131 |

The total cost to the public is estimated to be \$6,779.⁷

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

Annual costs associated with providing the instructions for this notice are negligible. There are no mailing or printing costs incurred by the Federal Reserve System in administering this notice.

⁶ Of the respondents, 14 expedited and 28 nonexpedited are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/table-small-business-size-standards.

⁷ 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 \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.