

**Supporting Statement for the  
Investment in Bank Premises Notification  
(FR 4014; OMB No. 7100-0139)**

**Summary**

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Investment in Bank Premises Notification (FR 4014; OMB No. 7100-0139). The Federal Reserve Act (FRA) requires a state member bank to seek prior Board approval before making an investment in bank premises that exceeds certain thresholds. There is no formal reporting form (the FR 4014 designation is for internal purposes only) and each request for prior approval must be filed with the Reserve Bank that has direct supervisory responsibility for the state member bank. The Board uses the information provided in the notice to fulfill its statutory obligation to supervise state member banks. The current annual burden for the FR 4014 is estimated to be five hours.

**Background and Justification**

Under section 24A of the FRA and section 208.21 of the Membership of State Banking Institutions in the Federal Reserve System (Regulation H), a state member bank is required under certain circumstances to obtain prior Board approval of its investment in bank premises.<sup>1</sup> A state member bank that is not well capitalized, or would not be so on a pro forma basis, or does not have a composite CAMELS rating of 1 or 2 under the Uniform Financial Institutions Rating System must request prior approval when the bank's pro forma aggregate of all such investments, together with any indebtedness of affiliates that is related to bank premises (aggregate investment level), would exceed 100 percent of the bank's capital stock and surplus, as defined in section 208.21(a)(2) and (3) of Regulation H. A state member bank that is well capitalized, would remain so on a pro forma basis, and has a composite CAMELS ratings of 1 or 2 must request prior approval when its aggregate investment level would exceed 150 percent of the bank's capital stock and surplus. The Federal Reserve System uses the information in the notification to determine if the proposal is financially sound and consistent with the public interest.

**Description of the Information Collection**

There is no required format for a notification of a proposed investment in bank premises. If a state member bank is not exempted from seeking prior approval (under the criteria described above), the state member bank must send a letter to the appropriate Reserve Bank that contains information such as the purpose, amount, and funding source of the proposed investment; a general description of the overall bank premises project; and current and pro forma financial statements.

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<sup>1</sup> The Board has determined that state member banks may make investments in offsite facilities without regard to the investment limitation as these investments are nominal and do not include real estate.

Upon receipt of a notification, Reserve Bank staff review the bank's general financial condition using examination reports and recent financial data. The percentage of capital and surplus (as defined in Regulation H) that would be represented by the bank's total investment in bank premises is also calculated. The Reserve Bank may approve the notification in writing under delegated authority if the Reserve Bank is satisfied that approval is warranted. In instances where significant issues are raised, a Reserve Bank would forward the notification to the Board for appropriate action. The Board or the Director of the Board's Division of Banking Supervision and Regulation would then take action. The Board may deny an investment in bank premises notification if the bank's financial condition is unsatisfactory or if the resultant investment in bank premises would adversely affect the bank's condition or otherwise represent an inappropriate level of risk.

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

This information collection is event-generated. The notification must be filed prior to a state member bank making an investment in bank premises that results in its total bank premises investment exceeding 100 percent of its capital and surplus as defined in Regulation H, or exceeding 150 percent of its capital and surplus if the bank has a satisfactory CAMELS rating, is well capitalized, and would continue to be well capitalized on a pro forma basis (section 208.21(a)(3)(i) and (ii) of Regulation H). The Federal Reserve usually completes the processing of a notification within 15 days of its receipt. If the bank is notified by the end of the 15-day notice period that further review is necessary, processing would normally be completed within 30 days of receipt of the notice.

### **Legal Status**

The Board's Legal Division has determined that section 24A(a) of the FRA requires that state member banks obtain prior Board approval before investing in bank premises that exceed certain statutory thresholds (12 U.S.C. § 371d(a)). The FR 4014 is required to obtain a benefit because banks wanting to make an investment in bank premises that exceed a certain threshold are required to notify the Federal Reserve. The information collected is not considered confidential. However, individual respondents may request that the data be kept confidential on a case-by-case basis. If a respondent requests confidential treatment, the Board will determine whether the information is entitled to confidential treatment on an ad hoc basis in connection with such request.

### **Consultation Outside the Agency**

On April 7, 2016, the Board published a notice in the *Federal Register* (81 FR 20384) requesting public comment for 60 days on the extension, without revision, of the FR 4014. The comment period for this notice expired on June 6, 2016. The Board did not receive any comments. On June 29, 2016, the Board published a final notice in the *Federal Register* (81 FR 42357).

## Estimate of Respondent Burden

The annual reporting burden for the FR 4014 is estimated to be five hours, based on an estimated average response time of 30 minutes. Because this information collection is event generated, it is not possible to predict exactly how many notices would be filed in a particular year. The average annual number of notices received in the last two years is eight. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

FR 4014	<i>Number of respondents<sup>2</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Investment in bank premises notification	9	1	0.5	5

The total annual cost to the public for this information collection is estimated to be \$266.<sup>3</sup>

## Sensitive Questions

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

## Estimated 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 in administering this notice.

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<sup>2</sup> Of the respondents, seven are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards](http://www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards).

<sup>3</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 \$17, 45% Financial Managers at \$65, 15% Lawyers at \$66, and 10% Chief Executives at \$89). 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 2015*, published March 30, 2016 [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).