

**Supporting Statement for the  
Annual Report of Holding Companies, Annual Report of Foreign Banking Organizations,  
Report of Changes in Organizational Structure, and  
Supplement to the Report of Changes in Organizational Structure  
(FR Y-6, FR Y-7, FR Y-10, and FR Y-10E; OMB No. 7100-0297)**

## 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, with revision, the mandatory Structure Reporting Requirements for Domestic and Foreign Banking Organizations (OMB No. 7100-0297). This family of reports is composed of the following four reports:

- Annual Report of Holding Companies (FR Y-6), which collects financial data, an organization chart, verification of domestic branch data, and information about shareholders from bank holding companies (BHCs), savings and loan holding companies (SLHCs) (collectively, HCs), and non-qualifying foreign banking organizations (FBOs),
- Annual Report of Foreign Banking Organizations (FR Y-7), which is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve,
- Report of Changes in Organizational Structure (FR Y-10), which is an event-generated information collection to capture changes in the regulated investments and activities of various entities, and
- Supplement to the Report of Changes in Organizational Structure (FR Y-10E), which is a free-form supplement that may be used to collect additional structural information deemed to be critical and needed in an expedited manner.

The Federal Reserve proposes to revise the FR Y-6, FR Y-7, and FR Y-10 by modifying confidential treatment questions on the reporting forms and instructions to align with the recently approved confidentiality check-box proposal.<sup>1</sup>

The Federal Reserve proposes to revise the FR Y-7 and FR Y-10 to incorporate U.S. IHCs formed under the final rule for Enhanced Prudential Standards (Regulation YY) for FBOs by 1) updating the FR Y-7 instructions to indicate the FBO must report its interest in an IHC on the organization chart and 2) expanding the FR Y-10 reporting form and instructions to include IHC reporting guidance in the General Instructions, Banking Schedule, Nonbanking Schedule, Legal Authority Codes (LAC), and Glossary entries.<sup>2</sup>

The Federal Reserve proposes to revise the FR Y-6 by 1) adding electronic submission option, 2) clarifying the differences in reporting of additional companies by BHCs and SLHCs, 3) adding a formula to calculate ownership percentage, and 4) clarifying the signature requirements for employee stock ownership plans (ESOPs) and limited liability companies

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<sup>1</sup> See 80 FR 52282 (August 28, 2015).

<sup>2</sup> The draft FR Y-6 reporting form and instructions associated with this proposal also include the language to collect information for U.S. IHCs of FBOs as discussed in the IHC proposal. See 81 FR 6265 (February 5, 2016) and 81 FR 35016 (June 1, 2016).

(LLCs).

The Federal Reserve proposes to revise the FR Y-10 by 1) removing the instructions for implementation of SLHCs from the General Instructions, 2) removing the legal authority paragraph in the General Instructions, 3) clarifying the instructions regarding the interest in sole partnership and sole member LLCs, 4) separating the LAC for SLHCs into two codes, 5) adding several new Glossary entries, and 6) incorporating clarifying instructions that a nonbank subsidiary under a savings association does not meet the definition of a financial subsidiary.

The proposed changes to the FR Y-10 reporting form and instructions would be effective October 14, 2016. The proposed changes to the FR Y-6 and FR Y-7 reporting forms and instructions would be effective with fiscal year-ends beginning December 31, 2016. The Federal Reserve is not modifying the FR Y-10E. The current annual reporting burden for the structure reporting forms and instructions is estimated to be 70,565 hours and would remain unchanged with the proposed revisions.

## **Background and Justification**

### **FR Y-6**

Section 5(c) of the BHC Act authorizes the Federal Reserve to require BHCs to keep the Federal Reserve informed, in part, of their financial condition, risk management systems, and transactions with bank subsidiaries. The Federal Reserve has collected annual reports in some form since the implementation of the BHC Act of 1956.

Data from the FR Y-6 enable the Federal Reserve to monitor HC operations for purposes of ensuring that operations are conducted in a safe and sound manner and to determine HC compliance with the provisions of the BHC Act, Home Owners' Loan Act (HOLA), and Regulations Y and LL. The data collected on shareholders, directors, officers and others provide valuable information, which is used for various supervisory purposes. For example, data on outside business interests of directors and officers aid in identifying chain-banking organizations by indicating when an individual owns 25 percent or more of each of two or more banking organizations. In addition, information on the principal owners and directors is of supervisory importance since these individuals have a significant effect on the policies and condition of banking organizations. Furthermore, information on the outside business interests of insiders can be useful in uncovering situations that involve a conflict of interest or preferential treatment in the granting of credit. Finally, information on ownership helps the Federal Reserve monitor compliance with the Change in Bank Control Act.

The timely collection of these data in a supervisory report enhances the Federal Reserve's efforts to monitor HC activities. In 2012, the Federal Reserve expanded the FR Y-6 reporting panel to include SLHCs and clarified the reporting instructions.

The FR Y-6 data are available to other federal banking agencies for use in their supervision of national and state nonmember banks. In addition, the FR Y-6 serves as a source

of information on HCs for the public and for responses to information requests from Congress. This information is not available from other sources.

### **FR Y-7**

The Federal Reserve implemented the FR Y-7 in January 1972 and required only foreign banks that controlled U.S. subsidiary banks to file the report. With the enactment of the International Banking Act of 1978 (IBA), the Congress established a framework for federal regulation of foreign banks operating in U.S. financial markets. Section 7 of the IBA authorizes the Federal Reserve to examine U.S. branches, agencies, and subsidiary commercial lending companies of foreign banks and to assess the condition of the multi-state banking operations of foreign banks. Section 8(a) of the IBA states that foreign banks that engage in banking in the United States through a U.S. branch, agency or subsidiary commercial lending company and companies that control such foreign banks are subject to the provisions of the BHC Act, as amended.

The Federal Reserve uses information collected on this reporting form to assess an FBO's ability to be a continuing source of strength to its U.S. operations, to determine eligibility as a Qualifying FBO, and to determine compliance with U.S. laws and regulations. This information is not available from other sources.

### **FR Y-10**

The Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124) was created in 1985 to capture structure information for new BHCs or BHCs that had undergone a change in their organizational structure. In September 2001, the Federal Reserve replaced the FR Y-6A with the FR Y-10 to reduce the burden and costs associated with submitting this information. This revision made the submission of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method for indicating the percentage ownership of nonbanking investments, and simplified the submission of legal authority and activity codes. Finally, the submission of certain information on the structure of foreign investments was moved from the Report of Changes in Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109) to the FR Y-10.

In 2012, the Federal Reserve expanded the FR Y-10 reporting panel to include SLHCs, added a Savings and Loan Schedule, and revised the 4(k) Schedule.

The Federal Reserve uses this information to monitor the activities of reportable companies for purposes of ensuring that the activities are conducted in a safe and sound manner and to determine compliance with applicable laws and regulations. The FR Y-10 data provide the Federal Reserve with information integral to monitoring compliance with the BHC Act, the Gramm-Leach-Bliley Act, the Federal Reserve Act (FRA), HOLA, Regulation Y, Regulation K, Regulation LL, and Regulation YY. Additionally, the FR Y-10 is the only source of information collected by a banking agency that captures detailed information on the structure of the banking

organizations described in the Respondent Panel section below. This information is not available from other sources.

### **FR Y-10E**

The Federal Reserve implemented the FR Y-10E, effective June 30, 2007, to create a free-form supplement to the FR Y-10 so that, should there be an immediate need for critical organizational structural information, the necessary data could be collected on this supplement at the earliest practicable date. This supplement may only be used to meet new legislative requirements, answer Congressional inquiries, or respond to critical market events that could not be addressed in a timely manner if the Federal Reserve were required to seek approval through the reports clearance process.

### **Description of Information Collection**

The annual FR Y-6 is submitted by top-tier HCs and non-qualifying FBOs and contains the requirement that HCs not registered with the U.S. Securities and Exchange Commission submit to the Federal Reserve their annual report to shareholders, if one is created. The FR Y-6 also requires the submission of an organizational chart, verification of domestic branch data, and collection of information on the identity, percentage ownership, and business interests of principal shareholders, directors, and executive officers.

The annual FR Y-7 is submitted by qualifying FBOs that are directly or indirectly engaged in the business of banking in the United States as of the end of the respondent's fiscal year.<sup>3</sup> The FR Y-7 collects financial, organizational, and managerial information.

The FR Y-10 is comprised of eight schedules for collecting data on organizational structural changes for the reportable companies listed in the respondent panel section.

The FR Y-10E supplement collects additional structural information deemed to be critical and needed in an expedited manner. This supplement may only be used to meet new legislative requirements, answer Congressional inquiries, or respond to critical market events that could not be addressed in a timely manner if the Federal Reserve were required to seek approval through the reports clearance process. Subsequent to the implementation of this supplement, if the data were needed on a permanent basis, the Federal Reserve would complete the report clearance process, including a request for public comment.

### **Proposed Revisions to the FR Y-6, FR Y-7, and FR Y-10**

**Confidentiality.** The Federal Reserve proposes to revise these reports by modifying the confidentiality questions on the reporting forms and amending the instructions to align with the recently approved confidentiality check-box proposal. The change would allow institutions to

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<sup>3</sup> Under the International Banking Act of 1978, banks organized under the laws of Puerto Rico and other American possessions are generally not required to file the FR Y-7. Such banks are insured by the FDIC and examined by U.S. supervisory agencies. Also, FBOs that are BHCs or that have a U.S. BHC subsidiary are required to report on the FR Y-6 all interests held through the top-tier U.S. BHC.

indicate, using a check-box on the first page of the report, whether they are requesting confidential treatment for any portion of the data provided, and whether they are submitting a formal justification with the data or separately.

### **Proposed Revisions to the FR Y-7 and FR Y-10**

***IHC reporting.*** The Board's Regulation YY,<sup>4</sup> in part, requires FBOs to designate IHCs, if certain requirements are met.

The Federal Reserve proposes the following revisions to collect information specific to IHCs and their identification. Additionally, the information would assist in the supervision of the U.S. operations of FBOs.

***FR Y-7 instructions.*** The Federal Reserve proposes to expand the organization chart instructions to include the requirement that an FBO report its interest in an IHC.

***FR Y-10 reporting form and instructions.*** The Federal Reserve proposes to expand the General Instructions to include changes to the organizational structure of an IHC as requiring the submission of the FR Y-10.

On the Banking and Nonbanking Schedules, the Federal Reserve proposes to add "IHCs" to the company type. Banking Schedule item 5, "Fiscal Year End," would be revised to be applicable to IHCs. Additionally, on the Nonbanking Schedule, a new item "Fiscal Year End" would be added to allow for reporting IHCs that do not control a U.S. insured depository institution. The new item would be item 5 and current items 4 and 5 would be renumbered to 4.a and 4.b, respectively.

On the Banking and Nonbanking Schedules, the Federal Reserve proposes to add examples for "Date of Event" in the instructions to provide guidance to IHC reporting.

### **Proposed Revisions to the FR Y-6 only**

***Instruction updates.*** The Federal Reserve proposes to provide the option of submitting the FR Y-6 report electronically as a Portable Document File (PDF) file in an e-mail attachment to a secured e-mail address. The electronic submission option will facilitate easier processing and better recordkeeping.

The Federal Reserve proposes to clarify the difference in reporting requirements related to additional reportable entities for BHCs, IHCs, and SLHCs on the FR Y-6 (i.e.,  $\geq 5\%$  to  $< 25\%$  for BHCs and IHCs versus  $\geq 5\%$  to  $\leq 25\%$  for SLHCs). The slight difference in reporting criteria often results in a request for a revised schedule. Adding this clarification would reduce reporter burden.

The Federal Reserve proposes to add a formula to calculate ownership percentage control for Report Item 3. The formula is used by the Federal Reserve when calculating control.

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<sup>4</sup> See 12 CFR part 252.

Inclusion of the formula would help to standardize information received.

***Reporting form and instructions updates.*** The Federal Reserve proposes to clarify the signature requirements for Employee Stock Ownership Plans (ESOPs) and Limited Liability Companies (LLCs). Reporters are confused who the authorized signer should be when the HC is organized as an ESOP or LLC due to the different corporate structures.

### **Proposed Revisions to the FR Y-10 only**

***Instructions.*** The Federal Reserve proposes to remove the reference to the phase-in reporting of SLHCs from the General Instructions, which is no longer relevant because the phase-in is complete.

Also in the General Instructions, the Federal Reserve proposes to remove the paragraph under “What is the Legal Authority for the FR Y-10?” This change will align the reporting instructions with other forms and instructions, which provide the legal authority on the form.

In the Banking, Savings and Loan, and Nonbanking Schedules instructions, the Federal Reserve proposes to clarify conditions under which sole partnership and sole member LLCs are reportable. Institutions often report incorrectly. The clarification would result in fewer revisions, thereby reducing overall burden.

The Federal Reserve proposes to rephrase the description of section 10(c)(6)(B) in Legal Authority Code (LAC) 412 and create a new LAC for section 10(c)(9)(C) to clearly identify which exemption SLHCs are claiming as a grandfathered unitary SLHC.

The Federal Reserve also proposes to add definitions to the FR Y-10 Glossary for the following terms: Grandfathered Unitary Savings and Loan Holding Company, Insured Depository Institution, and U.S. Intermediate Holding Company.

In the Nonbanking Schedule instructions, the Federal Reserve proposes to add a note to clarify that a nonbank subsidiary under a savings association does not meet the definition of a financial subsidiary.

The Federal Reserve proposes to update the Merger Schedule instructions to indicate that the popular name of the branch (for example, when the branch was formerly the head office of the nonsurvivor) must be reported on the Domestic Branch Schedule. Respondents often forget to report this information.

### **Respondent Panel**

The FR Y-6 panel comprises top-tier HCs and nonqualifying FBOs. The FR Y-7 panel comprises all qualifying FBOs that engage in banking in the United States, either directly or indirectly. The FR Y-10 and FR Y-10E panel comprises FBOs; top-tier HCs; securities HCs; state member banks that are not controlled by a HC; Edge and agreement corporations that are not controlled by a member bank, domestic HC, or an FBO; and nationally chartered banks that

are not controlled by a HC (with regard to their foreign investments only).

### **Time Schedule for Information Collection and Publication**

The FR Y-6 is submitted annually, no later than 90 calendar days after the end of the HC's or nonqualifying FBO's fiscal year. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment.

All qualifying FBOs file the FR Y-7 annually as of the end of the FBO's fiscal year; the data are due no later than four months after the report date. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment.

The FR Y-10 is event-generated, and the data are submitted within 30 calendar days of a reportable transaction or event. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Limited data from the FR Y-10 are published on the NIC website. The FR Y-10E is event-generated and the data are submitted on an ad-hoc basis as needed.

### **Legal Status**

The Board's Legal Division has determined that the following statutes authorize the Federal Reserve to require the collections of information:

**FR Y-6:** Section 5(c)(1)(A) of the BHC Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the IBA (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the FRA (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (DFA) (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)).

**FR Y-7:** Sections 8(a) and 13(a) of the IBA (12 U.S.C. §§ 3106(a) and 3108(a)); sections 113, 165, 312, 618, and 809 of the DFA (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)).

**FR Y-10 and FR Y-10E:** Sections 4(k) and 5(c)(1)(A) of the BHC Act (12 U.S.C. §§ 1843(k) and 1844(c)(1)(A)); section 8(a) of the IBA (12 U.S.C. § 3106(a)); sections 11(a)(1), 25(7), and 25A of the FRA (12 U.S.C. §§ 248(a)(1), 321, 601, 602, 611a, 615, and 625); and sections 113, 165, 312, 618, and 809 of the DFA (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)); and section 10(c)(2)(H) of HOLA (12 U.S.C. § 1467a(c)(2)(H)).

The obligation to respond is mandatory. The Board's Legal Division has also determined that the data collected in the FR Y-6, FR Y-7, FR Y-10, and FR Y-10E are not considered confidential. With regard to information that a banking organization may deem confidential, the institution may request confidential treatment of such information under one or more of the exemptions in the Freedom of Information Act (FOIA) (5 U.S.C. § 552). The most likely case

for confidential treatment will be based on FOIA exemption 4, which permits an agency to exempt from disclosure “trade secrets and commercial or financial information obtained from a person and privileged and confidential” (5 U.S.C. § 552(b)(4)). To the extent an institution can establish the potential for substantial competitive harm, such information would be protected from disclosure under the standards set forth in National Parks and Conservation Association v. Morton, 498 F.2d 765 (D.C. Cir. 1974). Exemption 6 of FOIA might also apply with regard to the respondents’ submission of non-public personal information of owners, shareholders, directors, officers and employees of respondents. Exemption 6 covers “personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy” (5 U.S.C. § 552(b)(6)). All requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

### **Consultation Outside the Agency**

On April 25, 2016, the Federal Reserve published a notice in the *Federal Register* (81 FR 24101) requesting public comment for 60 days on the extension, with revision, of the FR Y-6, FR Y-7, FR Y-10, and FR Y-10E. The comment period for this notice expired on June 24, 2016. The Federal Reserve received one comment letter from an industry association, which was outside the scope of the proposed changes.

### **Detailed Discussion of Public Comments**

The commenter requested an electronic filing option for the FR Y-6 Organizational Chart. After review and consideration, the Federal Reserve will provide the option of submitting the FR Y-6 report as a PDF file in an e-mail attachment to reduce burden. The instructions will be updated to reflect this change.

The commenter stated the method for validating Legal Entity Identifiers (LEIs) is inaccurate particularly for LEIs issued prior to 2012. While the validation method is accurate based on the current standards for issuing an LEI, the Federal Reserve believes it can be removed since the one-time collection for existing LEIs has been completed. Upon consideration of the comment, the Federal Reserve will remove the LEI validation from the FR Y-10 online application.

Although the proposal did not include amendments to item 10 or the definition of an LLC on the FR Y-10, the commenter requested guidance on how to report foreign entities for that line item in the FR Y-10 and suggested that a mapping document be provided, which would list foreign entities with their corresponding U.S. legal structure. Alternatively, the commenter made a number of suggestions regarding how LLCs, in particular, are reported on the form, and one suggestion was to modify the definition of LLC to clarify when a foreign entity should be reported as an LLC. After review and consideration, the Federal Reserve decided not to make these changes. Given the vast number of diverse organizational structures, the Federal Reserve believes that it is up to each respondent to apply judgement in determining whether a particular entity type fits within the legal entity structures listed in the form, including whether a foreign entity should be reported as an LLC. If a respondent determines that a business organization does not fit within any of the legal entity structures listed in the form, including the definition of



LLC, it may report the legal entity as “Other” and provide a description of its unique characteristics.

The commenter requested clarification on how to report ownership interests in LLCs when the organization’s governing documents are silent regarding the designation of a managing member and where an entity is designated as a manager (i.e., actively manages the day-to-day operation of the LLC), but has no ownership interest in the LLC. In addition, the commenter suggested that a flowchart be provided in the instructions to indicate how to report these interests. After review and consideration, the Federal Reserve decided not to make these changes. Since each respondent’s relationship with the LLC will vary and the determination of whether to report its ownership interest as a managing or non-managing member may depend upon a combination of factors, including applicable state laws, the respondent should consult with its legal staff to take into account these unique facts and circumstances and report its interest in the manner it deems most appropriate.

The commenter requested an established and consistent process for withdrawing an erroneous FR Y-10 report that should not have been filed. The Federal Reserve supports incorporating procedures for this process and will consider adding them as part of a future proposal.

Finally, the commenter requested several other technical enhancements to the FR Y-10 online application: (1) establish a process for withdrawing an FR Y-10 report that should not have been filed, (2) add straight-through processing of the FR Y-10 either directly from internal systems or through a data load process, (3) add a notification that informs the reporter after an event has been processed, (4) add foreign branch entities, (5) remove restriction in the FR Y-10 online application to allow reporters that own interest in the same entity to report their holdings differently, and (6) update the RSSD search function. The Federal Reserve needs additional time to investigate whether these enhancements are feasible and may consider them as a part of a future proposal as costs and resources permit.

On October 19, 2016, the Federal Reserve published a final notice in the *Federal Register* (81 FR 72053) for the FR Y-6, FR Y-7, FR Y-10, and FR Y-10E.

### **Estimate of Respondent Burden**

The annual reporting burden associated with the Federal Reserve’s share of the structure reporting forms and instructions is estimated to be 70,565 hours. The Federal Reserve believes that the proposed changes to the FR Y-6, FR Y-7, and FR Y-10 apply to a small number of institutions over the whole panel, therefore, there is no substantive change in the average hours per response. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>5</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR Y-6 initial	13	1	10	130
FR Y-6 ongoing	4,827	1	5.50	26,549
FR Y-7	243	1	4	972
FR Y-10 initial	530	1	1	530
FR Y-10 ongoing	5,298	3	2.50	39,735
FR Y-10E	5,298	1	0.50	<u>2,649</u>
<i>Total</i>				70,565

The total annual cost to the public for these information collections is estimated to be \$3,750,530.<sup>6</sup>

### **Sensitive Questions**

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

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

The current cost to the Federal Reserve System for collecting and processing these reports is estimated to be \$2,362,850 per year.

<sup>5</sup> Of these respondents, 3,356 for the FR Y-6; none for the FR Y-7; 3,693 for the FR Y-10; and 3,693 for the FR Y-10E are considered 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>6</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/).