

**Supporting Statement for
Interagency Bank Merger Act Application
(FR 2070; OMB No. 7100-0171)**

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 Interagency Bank Merger Act Application form (FR 2070; OMB No. 7100-0171). The Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) each use this form to collect information on bank merger proposals that require prior approval under the Bank Merger Act. Prior approval is required for merger transactions involving affiliated or nonaffiliated institutions and must be sought from the regulatory agency of the depository institution that would survive the proposed transaction. A merger transaction may include a merger, consolidation, assumption of deposit liabilities, or certain asset-transfers between or among two or more institutions. The Federal Reserve collects this information so that it may meet its statutory obligation of evaluating (with respect to every state member bank merger proposal) the competitive effects, the adequacy of the financial and managerial resources of the institutions involved, and the effect on the convenience and needs of the affected communities.

The agencies are not proposing any revisions at this time. However, the agencies are currently working on revisions to the form and expect to provide a revised form for review in the near future.

The Federal Reserve annual reporting burden for state member banks is estimated to be 1,878 hours. Additional information about the paperwork burden associated with the FR 2070, including statutory and regulatory history, a description of the requirements, and how the estimated total annual burden was calculated, is discussed below.

Background and Justification

The FR 2070 was instituted in 1960 with the enactment of section 18(c) of the Federal Deposit Insurance Act (the FDI Act) which is known as the Bank Merger Act. The FR 2070 was discontinued in 1990 when the Application for Prior Approval for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-2) was amended for use with a broader range of proposals. The FR Y-2 was modified not only for use with proposals filed pursuant to sections 3(a)(3) and 3(a)(5) of the Bank Holding Company Act (the BHC Act), but also for proposals filed pursuant to section 18(c) of the FDI Act and section 9 of the Federal Reserve Act (the FR Act). At the time, it was felt that there was sufficient commonality with the information requirements of these three types of expansionary proposals to use the same application form. However, subsequent experience indicated that the resulting application form was more cumbersome and somewhat more confusing than originally anticipated. As a consequence, the FR 2070 was reinstated in 1994.

The FR 2070 was reformatted in 1998 to address directives in the Riegle Community Development and Regulatory Improvement Act of 1994 that the agencies should (to the extent consistent with principles of safety and soundness, statutory law, and policy) work together to make uniform all regulations and guidelines implementing common statutory or supervisory policies. The bank merger application forms of each of the agencies were viewed to be subject to the directive. The new interagency bank merger application form streamlined filing requirements and identified specific information that each of the agencies believed was necessary for reviewing a bank merger proposal. Supplemental pages were added to collect certain additional information that individual agencies believed was critical to the consideration of a bank merger proposal. The supplemental questions and advice were intended to address particular concerns of the individual agencies and facilitate the overall review process.

The Federal Reserve requires data from the FR 2070 for regulatory and supervisory purposes and to allow the Federal Reserve to fulfill its statutory obligations under the Bank Merger Act. The application form obtains the information necessary for the Federal Reserve to evaluate (with respect to an SMB merger or other restructuring) the competitive effects of the proposal, the financial and managerial resources and future prospects of the existing and proposed banking organizations, and the convenience and needs of the affected communities. The application form also collects information on the basic legal and structural aspects of the proposed transaction and on the extent to which the surviving SMB intends to retain and continue operating as individual branches the headquarters and branches of the target bank.

The collected information is not available from any other source and is used by the Federal Reserve to determine whether a proposal is financially sound, competitively acceptable, and consistent with the public interest.

Description of Information Collection

The FR 2070 is an event-generated application and is completed by a state member bank each time the bank requests approval to effect a merger, consolidation, assumption of deposit liabilities, other combining transaction with a nonaffiliated party, or a corporate reorganization with an affiliated party. The form collects information on the basic legal and structural aspects of these transactions.

Time Schedule for Information Collection

The application is event-generated. If the application meets established criteria to be processed on a delegated basis, the Reserve Bank or Secretary of the Board generally acts on the proposal within 30 calendar days of submission of the application. If the proposal does not meet the criteria for processing under delegated authority, the application will be processed for action by the Board. Such an application will generally be acted on within 60 calendar days of submission of the application, unless an applicant is notified that the processing period is being extended and informed of the reasons for the extension.

Legal Status

The Board's Legal Division has determined that section 18(c) of the Federal Deposit Insurance Act requires, in relevant part, that a state member bank, when it is the acquiring, assuming or resulting bank, obtain prior approval from the Board before merging or consolidating with another insured depository institution, or before acquiring the assets of or assuming liability to deposits made in any other insured depository institution. (12 U.S.C. § 1828(c)). The Federal Reserve treats the Interagency Bank Merger Act Application as a public document. However, applicants may request that parts of their applications be kept confidential. In such cases, the burden is on the applicant to justify the exemption by demonstrating that disclosure would cause “substantial competitive harm” or result in “an unwarranted invasion of personal privacy” or would otherwise qualify for an exemption under the Freedom of Information Act (5 U.S.C. 552). The confidentiality status of the information submitted will be judged on a case-by-case basis.

Consultation Outside the Agency

The interagency working group responsible for this application comprises representatives from the OCC, the FDIC, and the Federal Reserve System. On September 12, 2014, the Federal Reserve published an initial *Federal Register* notice (79 FR 54720) requesting public comment on the proposed information collection. The comment period expired on November 12, 2014. The Federal Reserve did not receive any comments on the proposal. On December 2, 2014, the Federal Reserve published a final *Federal Register* notice (79 FR 71415).

Estimate of Respondent Burden

The current burden for the FR 2070 is estimated to be 1,878 hours annually for state member banks, as shown in the table below. The interagency task force has estimated an average response time of 30 hours for applications filed to effect a merger, consolidation, assumption of deposit liabilities, or other combining transaction between nonaffiliated parties and 18 hours for applications filed to effect a corporate reorganization between affiliated parties. The current estimate is based on the number of applications filed and represents less than 1 percent of total Federal Reserve System burden for all information collections.

	<i>Number of respondents¹</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
Nonaffiliate Transactions	56	1	30	1,680
Affiliate Transactions	11	1	18	<u>198</u>
<i>Total</i>				1,878

The total annual cost to the public is estimated to be \$95,590.²

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

The estimated costs to the Federal Reserve System associated with this information collection are minimal.

¹ Of these respondents, 18 are small entities as defined by the Small Business Administration (i.e. entities with less than \$550 million in assets). www.sba.gov/content/table-small-business-size-standards.

² 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 \$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. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.