

**Supporting Statement for the
Notification of Nonfinancial Data Processing Activities
(FR 4021; OMB No. 7100-0306)**

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 Notification of Nonfinancial Data Processing Activities (FR 4021; OMB No. 7100-0306), which relates to the permissible data processing, storage, and transmission activities (collectively, data processing activities) of bank holding companies (BHC) under the Board's Regulation Y- Bank Holding Companies and Change in Bank Control. Regulation Y limits a BHC's annual revenues from nonfinancial data processing activities to 49 percent of its total annual revenue derived from all of its data processing activities.¹ A BHC may request the Board's approval to administer this 49 percent revenue limit on nonfinancial data processing activities on a business-line or multiple-company basis, rather than on a company-by-company basis.² Such requests are designated as the FR 4021.

It is estimated that two respondents per year will submit notifications associated with this type of data processing activity. The total annual burden for FR 4021 is estimated to be four hours. A request may be filed in letter form; there is no reporting form for this information collection.

Background and Justification

The BHC Act (12 U.S.C. 1841 et seq.), as amended by the Gramm-Leach-Bliley Act (GLB Act), permits all BHCs to engage in any nonbanking activity that the Board had determined by order or regulation prior to November 12, 1999, to be so closely related to banking as to be a proper incident thereto under section 4(c)(8) of the BHC Act. BHCs must conduct these activities subject to the terms and conditions contained in the Board's regulation or order authorizing the activity, unless the Board modifies those terms or conditions.

Prior to enactment of the GLB Act, the Board had determined by regulation that a BHC may conduct financial data processing activities as an activity that is closely related to banking. In addition, the Board had determined that, as an incident to these activities, a BHC could conduct nonfinancial data processing activities so long as the revenues derived from such nonfinancial data processing activities did not constitute more than 30 percent of the revenues derived by the BHC from its data processing activities.

In 2003, the Board adopted a final rule that raised, from 30 percent to 49 percent, the percentage of data processing revenue a BHC engaged in data processing activities may derive from nonfinancial data processing activities. The Board adopted this change because it allowed BHCs to make more efficient use of their data processing expertise and equipment while

¹ See 12 CFR 225.28(b)(14). As a general matter, nonfinancial data processing activities refer to data processing activities involving data that is not financial, banking, or economic in nature.

² See 68 FR 68493, 68497 (December 9, 2003).

ensuring that a majority of the business of each processing subsidiary would be financial data processing. As part of this final rulemaking, the Board also announced that it had delegated authority to the Board's General Counsel to grant requests by BHCs to administer requests that the 49 percent revenue limit be administered on a business-line or multiple-entity basis (rather than on a company-by-company basis as would otherwise be required under the rule).

Description of Information Collection

BHCs submit the FR 4021 notification to request permission to administer the 49 percent revenue limit on nonfinancial data processing activities on a business-line or multiple-entity basis. These notifications, which may be submitted in letter form, should describe the structure of the requesting BHC's data processing operations, the methodology the BHC proposes to use to administer the 49 percent revenue test and the reasons why the BHC believes that the proposed methodology is appropriate. The Board will consider any request in light of all the facts and circumstances, including the interrelationships between the data processing activities conducted by the BHC's separate subsidiaries, the holding company's business or operational reasons for conducting its data processing activities in different subsidiaries, and the level of the BHC's ownership interest in the individual subsidiaries.

Time Schedule for Information Collection

This information collection contains one notice requirement, which a BHC must file with the Board's General Counsel before the BHC seeks to administer the 49 percent revenue limit on a business-line or multiple-entity basis. This notice requirement is mandatory, but only if the BHC seeks the additional flexibility to administer the 49 percent test in this manner, and is triggered by a specific event.

Legal Status

The Board's Legal Division has determined that 12 U.S.C. 1843(c)(8), (j) and (k) authorize the Board to collect this information. The FR 4021 is required to obtain a benefit. A BHC may request confidential treatment of the information contained in the notice pursuant to exemption 4 of the Freedom of Information Act (5 U.S.C. 552(b)(4)). The exemption determination will be made on a case-by-case basis.

Consultation Outside the Agency

On May 31, 2017, the Board published an initial notice in the *Federal Register* (82 FR 24970) requesting public comment for 60 days to extend, without revision, the FR 4021. The comment period expired on July 31, 2017. The Board did not receive any comments. On September 5, 2017, the Board published a final notice in the *Federal Register* (82 FR 41951) and the information collection will be extended as proposed.

Estimate of Respondent Burden

The annual respondent burden is estimated to be four hours. To date, the Board has not received any request by a BHC to administer the 49 percent revenue limit on a business-line or multiple-entity basis. In order to provide a burden estimate to OMB, the Board estimates that two respondents per year will take two hours to complete and submit a request to the Board.³ This reporting requirement represents less than 1 percent of total Federal Reserve System paperwork burden.

FR 4021	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Notification of nonfinancial data processing activities	2	1	2	4

The estimated current annual cost to the public of collecting this information is \$220.⁵

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 Federal Reserve System's costs for processing this information are minimal.

³ Reports with fewer than 10 respondents per year are not subject to the Paperwork Reduction Act (PRA); however, because the reporting requirements pertain to all BHCs, the proposal is processed following PRA procedures.

⁴ Of these respondents, none 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.

⁵ 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 \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). 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 2016*, published March 31, 2017, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.