

**Supporting Statement for the
Interagency Notice of Change in Control,
Interagency Notice of Change in Director or Senior Executive Officer, and
Interagency Biographical and Financial Report
(FR 2081a,b,c; OMB No. 7100-0134)**

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 Interagency Notice of Change in Control, Interagency Notice of Change in Director or Senior Executive Officer, and Interagency Biographical and Financial Report (FR 2081a,b,c; OMB No. 7100-0134). Each of these reporting forms is used to collect information in connection with certain filings by bank holding companies (BHCs), savings and loan holding companies (SLHCs), state member banks (SMBs), and individuals prior to proposed changes in the ownership or management of banking organizations.

The information collected by these notices and reporting forms, and the identical notices and reporting forms used by the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies), assists the agencies in fulfilling their statutory responsibilities as supervisors. The information collected in the Interagency Notice of Change in Control (FR 2081a) submitted to the Board is provided by persons proposing to make significant investments in a BHC, SLHC, or SMB. The Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b) is submitted to the Board (under certain circumstances) by a BHC, SLHC, or SMB making changes to its board of directors or senior executive officers pursuant to section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The Interagency Biographical and Financial Report (FR 2081c) is not a stand-alone reporting form; it is a companion reporting form to the FR 2081a, FR 2081b, and other Board information collections that is used to gather required information about the individuals involved in various applications and notices.

The Board proposes to revise the FR 2081a,b,c reporting forms and instructions in order to improve the clarity of the information requests, delete information requests that are not typically useful for the analysis of the proposal, and add transparency for filers regarding the information that is required to consider a proposal. The current annual reporting burden for the FR 2081a,b,c forms is estimated to be 11,302 hours. The revisions increase the estimated average hours per response for FR 2081a and FR 2081c by one half hour, and no increase in estimated average hours per response is anticipated for the FR 2081b, for a total annual burden of 12,136 hours.

Background and Justification

The Interagency Notice of Change in Control originated in 1979 as a result of the enactment of the Change in Bank Control Act of 1978 (CBC Act) (12 U.S.C. 1817(j)). Under the CBC Act, a person (which may include a group of individuals or certain companies) must seek the prior approval of the appropriate federal banking agency before acquiring control of an

insured depository institution or its parent holding company(ies). The Board uses the information from the FR 2081a and FR 2081c to evaluate the qualifications of specific individuals organizing, acquiring control, or managing an insured depository institution to ensure that the proposed transactions are permissible under law and regulation and are consistent with safe and sound banking practices.¹ One of the major objectives of the CBC Act is to prevent serious adverse effects resulting from unsuitable ownership of, inadequate financial support for, and unsuitable management of insured depository institutions or their parent holding companies.

Under section 914 of FIRREA (12 U.S.C. 1831i), when an insured depository institution, BHC, or SLHC meeting certain financial or supervisory criteria intends to add an individual to its board of directors or employ an individual as a senior executive officer, the prior consent of one of the agencies is required.² The FR 2081b is used by either the institution or the individual to file a prior notice with the Board. The purpose of section 914 is to give the agencies an opportunity to object if the competence, experience, character, or integrity of the individual who seeks to be employed or otherwise associated with the institution is not in the best interests of the depositors of the institution or the public.

In 1996, a task force of representatives from the agencies was formed to review the FR 2081 reporting process. The filing requirements were adapted and reformatted to consist of three separately titled notices: the Interagency Notice of Change in Control, the Interagency Notice of Change in Director or Senior Executive Officer, and the Interagency Biographical and Financial Report. These collections correspond to the Board's FR 2081a, FR 2081b, and FR 2081c, respectively. The development of these notices and reporting form resulted in reduced burden for the various affected filers. The information requested in the FR 2081a, FR 2081b, and FR 2081c is not available from any other source and is necessary for the Board to fulfill its supervisory responsibilities.

Description of the Information Collection

The FR 2081a is submitted in connection with the acquisition of shares of an insured depository institution, SLHC, or BHC (or group of BHCs or SLHCs) by an individual or a group of individuals or a company or group of companies that would not be bank holding companies (BHCs) or savings and loan holding companies (SLHCs) after consummation of the proposed transaction. The notice is submitted to the Board when it is the appropriate federal banking regulatory agency of the target organization. The notice includes a description of the proposed transaction, the purchase price and funding source and the personal and financial information of the proposed acquirer(s) and any proposed new management.

¹ In considering a notice under the CBC Act, the Board must evaluate the following factors: the financial condition of the acquiring party(ies) and of the holding company or bank to be acquired; the competence, experience, and integrity of the acquiring party(ies) and of any proposed new management of the holding company or bank to be acquired; the effect of the transaction on competition; the future prospects of the institution to be acquired; and whether the financial condition of any acquiring person or the future prospects of the institution is such as might jeopardize the financial stability of the bank or prejudice the interest of the depositors of the bank.

² Such employment may include an individual that is not directly compensated, but otherwise is allowed to exert significant influence over, or who participates in, major policy making decisions of the regulated institution.

A FR 2081a filer is required to publish a notice in a newspaper of general circulation in the community where the head office of the bank or holding company to be acquired is located. The notice must state the name and address of each person identified as an acquiror in the notice and the name of the bank or holding company to be acquired and each of its subsidiary banks. The notice also must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than 15 calendar days before and no later than ten calendar days after the date that the application is filed with the appropriate Reserve Bank.

The FR 2081b is used, under certain circumstances, to notify the Board, when it is the appropriate federal banking regulatory agency, of a proposed change to an institution's board of directors or senior executive officers. The notice must be filed if the institution is not in compliance with all minimum capital requirements, is in troubled condition or, otherwise, is required by the Federal Reserve to provide such notice. The reporting form is filed by an insured depository institution, an SLHC, a BHC, or the affected individual.

The FR 2081c is used by certain shareholders, directors, and executive officers in connection with the FR 2081a, FR 2081b and other filings such as Bank Merger Act applications (FR 2070; OMB No. 7100-0171), and applications for BHC and SLHC formations, acquisitions, and mergers. Information requested on this reporting form is subject to verification and must be complete. As with all the notices and reporting forms, requests for clarification or supplementation of the original filing may be necessary.

Proposed Revisions

The Board proposes a number of revisions to the FR 2081a,b,c reporting forms. The changes are being made in order to improve the clarity of the information requests, delete information requests that are not typically useful for the analysis of the proposal, and add transparency for filers regarding the information that is required to consider a proposal. Prior to proposing these revisions,³ the agencies surveyed their regional offices (the Board consulted with the Federal Reserve Banks) to solicit recommendations for changes to the forms and considered the effects of the changes on respondents, including community bank organizations, which represent the vast majority of filers. Although the revisions add items to the FR 2081a,b,c reporting forms, some of these additions are related to information typically requested on a follow-up basis by the respective regulators. Requesting the information at the beginning of the application review should increase the efficiency of the process. The changes are outlined below and are grouped into the following categories:

- A. Information that is customarily requested as supplemental information for a filing or that is otherwise considered necessary to evaluate the statutory factors,
- B. Clarification of certain items related to biographical and financial information for principals and Community Reinvestment Act-related information,
- C. Deletion of unnecessary information, and
- D. Other minor and stylistic changes, such as improved grammar.

³ See 82 FR 45847 (October 2, 2017).

Discussion of FR 2081 Revisions

FR 2081a “Interagency Change in Control Notice” Revisions

A. Additional requested items

The Board proposes adding additional items for the FR 2081a. These are items, for the most part, would be requested as additional information to supplement the questions on the current form. This will save time and effort. These newly requested items are:

1. For a trust that is a part of the notice, a list of the trustees and beneficiaries of that trust.
2. Information regarding whether the applicant would join an existing group acting in concert. New information requested includes a list of the members of the group and whether or not a FR 2081a was previously filed for the group.
3. Statement regarding whether the submission is an after-the-fact notice and whether any exemptions apply.
4. Ownership percentage, market value, and price information for non-voting shares, warrants and debt instruments. The prior form only requested information regarding voting share ownership.
5. Any securities to be purchased, which would be broken-out by voting, nonvoting and debt categories.
6. Narrative description of the proposed transaction.
7. Information regarding the expected timing of the proposal.
8. Information regarding the source of funds used by the notificant(s) to purchase the voting shares, non-voting shares, options, or other debt instruments.

B. Clarification of certain requests

1. Voting and nonvoting shares and debt instruments information is requested in an easy-to-read table format.
2. Checklist of supporting documents pertinent to the transaction that may be required to be submitted, including purchase, sale, shareholder, trust, tender offers, and non-compete agreements.
3. Revisions to the Privacy Act Statement to provide more detail regarding how information submitted is handled by the Board.
4. The instructions now indicate that the form also applies savings and loan holding companies and savings associations.

C. Deletion of unnecessary information

1. The request for information on tender offers will be deleted. Such information will be included in the response to another question.
2. Current book value per share, which can be calculated using other information provided.

D. Minor editing changes

1. Such changes are made to improve grammar, update citations and addresses, clarify instructions, and note the option of filing electronically.

FR 2081b “Notice of Change in Director or Senior Executive Officer” Revisions

A. Additional requested items

The Board proposes adding an additional item that, for the most part, is typically requested as additional information to supplement the questions included in the current form. This will save time and effort. This newly requested item is:

1. Statement regarding whether the submission is an after-the-fact notice and whether any exemptions apply.

B. Clarification of certain requests

1. Notice that providing an employment contract does not alleviate any other filing requirements.
2. Notice that an after-the-fact filing may violate applicable notice requirements that could result in legal sanctions or resignation.
3. Revisions to the Privacy Act Statement to provide more detail regarding how information submitted is handled by the Board.

C. Deletion of unnecessary information

1. None.

D. Minor editing changes

1. Other changes to the form that are less significant in nature include those to improve grammar, update citations and addresses, clarify instructions, and note the option of filing electronically.

FR 2081c “Interagency Biographical and Financial Report” Revisions

A. Additional requested items

The Board proposes adding additional items on the FR 2081c. These are items that generally would have been requested as additional information to supplement the questions included in the current form. This will save time and effort. These newly requested items are:

1. Information regarding whether the applicant has failed to satisfy any federal, state or local tax obligations.
2. Details regarding any liability that is contractually delinquent.
3. Additional information regarding the notificant’s citizenship, if the applicant is a dual citizen.

4. For any “Legal and Related Matters” reported, applicant should indicate whether any insured depository institution suffered a loss as a result, including the amount of the loss and whether the institution was ever made whole.

B. Clarification of certain requests

1. Enhanced descriptions of the transactions required to be reported in “Legal and Related Matters.” This includes information regarding civil and criminal lawsuits, suspension or removal of a license, disbarment, and any consent order, written agreement, or memorandum of understanding, as well as identification of the court in which any legal proceeding occurred involving the applicant or any company with which they are or were associated.
2. Clarifying that arrests, charges, indictments, and convictions involving driving under the influence, reckless driving, and disorderly conduct should be reported.
3. Revisions to the Privacy Act Statement to provide more detail regarding how information submitted is handled by the Board.
4. Whether the applicant is being considered for a management position at any other depository institution or holding company, rather than just as a senior executive officer or director.

C. Deletion of unnecessary information

1. Removed request for a fax number.

D. Minor editing changes

1. Other changes to the form that are less significant in nature include those to improve grammar, update citations and addresses, clarify instructions, and note the option of filing electronically.

Time Schedule for Information Collection

The FR 2081a is event-generated and must be filed at least 60 days prior to a proposed change in control. The statute provides that the Board must take action on a notice within 60 days after the receipt of a complete notice, unless the time period is extended. The Board is authorized to extend the initial 60-day processing period for an additional 30 days for any reason and to extend processing for two additional 45-day periods for certain enumerated reasons (such as submission of incomplete or inaccurate information by the acquiring person).

The FR 2081b must be filed, in certain circumstances, at least 30 days prior to a SMB, BHC, or SLHC adding a member to the board of directors or employing an individual as a senior executive officer. The proposed director or senior executive officer may begin service 30 days after a complete notice has been received, unless the responsible agency issues a notice of disapproval of the proposed addition or employment before the end of the 30-day period. The time period for review may be extended for an additional 60 days for any reason and for a more extended period at the request of the notificant.

The FR 2081c is used by individuals in conjunction with other notices or applications, and is submitted to the appropriate regulatory agency according to deadlines associated with those other notices or applications. The reporting form is not a stand-alone report.

Legal Status

Section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)) authorizes the Board to require the information under the FR 2081a and FR 2081c. Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act (12 U.S.C. 1831(i)) authorizes the Board to require the information under the FR 2081b and FR 2081c.

The notices and reporting form are public documents. The organizations and individuals that submit the forms may request that all or a portion of the submitted information be kept confidential. In such cases, the filer must justify the exemption by demonstrating that disclosure would cause substantial competitive harm, 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 is judged on a case-by-case basis.

Because information is being collected from individuals, the Federal Reserve is required to make certain disclosures to the notificant under the Privacy Act (5 U.S.C. 552a(e)(3)). The disclosures made by the Federal Reserve on the FR 2081 meet the requirements of the Privacy Act.

Consultation Outside the Agency

An interagency working group responsible for reviewing this collection is comprised of representatives from the Board, OCC, and FDIC, and collaborated to recommend the above changes. The agencies reviewed the forms in consideration of current law and applications processing procedures and practices. Each agency has separately published a notice with regard to this form and will separately publish the final version of the form. The Board's extension of these forms would align with the proposed extensions of identical forms by the OCC and FDIC.

On October 2, 2017, the Board published an initial notice in the *Federal Register* (82 FR 45847) requesting public comment for 60 days on the extension, with revision, of the FR 2081a,b,c. The comment period for this notice expired on December 1, 2017. The Board did not receive any comments. On March 15, 2018, the Board published a final notice in the *Federal Register* (83 FR 11521). The revisions will be implemented as proposed.

Estimate of Respondent Burden

The annual burden for the revised FR 2081a and FR 2081b is estimated to be 4,758 hours and 574 hours respectively. The annual burden associated with filing the revised FR 2081c, as a supplement to the FR 2081a and FR 2081b, is estimated to be 6,804 hours. On average, between three and four individuals listed on an FR 2081a or FR 2081b filing must also submit a companion FR 2081c report. The burden associated with filing the FR 2081c as a supplement to

other applications or notices is included with those information collections. The annual reporting burden estimate is based on the average number and type of applications received in 2015 and 2016. The annual burden of this information collection represents less than 1 percent of the total Federal Reserve System paperwork burden.

FR 2081	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR 2081a	156	1	30	4,680
FR 2081b	287	1	2	574
FR 2081c	1,512	1	4	<u>6,048</u>
	<i>Total</i>			11,302
Proposed				
FR 2081a	156	1	30.5	4,758
FR 2081b	287	1	2	574
FR 2081c	1,512	1	4.5	<u>6,804</u>
	<i>Total</i>			12,136
	<i>Change</i>			834

The total cost to the public is estimated to increase from the current level of \$451,735 to \$475,763 for the revised FR 2081a,b,c.⁵

Sensitive Questions

The FR 2081c collects Social Security Number and citizenship information. The solicitation and collection of this information is authorized by those statutes that require an appropriate federal banking agency to determine the competence, experience, integrity, and financial ability of individuals proposing to serve a federally regulated financial institution in an official capacity- that is, as a director, officer, employee, or principal shareholder. These statutes include: 12 U.S.C. 27 (national bank charters); 12 U.S.C. 1464 (federal savings bank charters);

⁴ Of these respondents, 213 are considered small entities as defined by the Small Business Administration (i.e. entities with less than \$550 million in assets) www.sba.gov/document/support--table-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 \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). 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 2017*, published March 30, 2018 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/ and the average consumer cost of \$26 is estimated using data from the BLS Economic News Release (USD-16-0462) www.bls.gov/news.release/ocwage.t01.htm.

12 U.S.C. 1815 (federal deposit insurance); 12 U.S.C. 1817(j) (changes in control of insured depository institutions); and 12 U.S.C. 1831(i) (agency disapproval of directors and senior executive officers of insured depository institutions or depository institution holding companies).

Estimate of Cost to the Federal Reserve System

Cost to the Federal Reserve System associated with the processing of this information collection is \$767,200 per year.