

**Supporting Statement for the
Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company
(FR Y-3F; OMB No. 7100-0119)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), has extended for three years, with revision, the Application for a Foreign Organization to Acquire a U.S. Bank or Bank Holding Company (FR Y-3F; OMB No. 7100-0119). Under the Bank Holding Company Act (BHC Act), any company, including a company organized under the laws of a foreign country, that seeks to acquire a U.S. bank or bank holding company must receive prior approval from the Board to do so. Applicants must provide financial and managerial information, discuss the competitive effects of the proposed transaction, and discuss how the proposed transaction would enhance the convenience and needs of the community to be served. The Federal Reserve uses the information to determine, in part, whether to approve the application and, subsequently, the information is used for the Federal Reserve's supervisory responsibilities with respect to the foreign banking organization in the United States.

The Board has revised the FR Y-3F reporting form and instructions in order to improve the clarity of the required information; obtain additional information necessary to evaluate the statutory factors; reflect the impact of new laws, regulations, capital requirements, and accounting rules; and increase transparency regarding the information that is required for consideration of a proposed transaction. The revisions are intended to reduce the need for subsequent requests for additional information to applicants, which may delay the Federal Reserve's consideration of an application and create additional burden for applicants.

The current annual burden for the FR Y-3F is estimated to be 440 hours. The estimated average hours per response for the FR Y-3F would increase slightly; therefore, the annual burden would also increase to 446 hours. However, as some of the changes are intended to reduce the need for follow-up questions, the overall burden for the applicant during processing of the application may not change. The proposed revised application form is attached.

Background and Justification

The BHC Act requires that a company must apply for approval from the Board prior to acquiring a U.S. bank or bank holding company.¹ Prior to 1982, foreign applicants seeking to acquire a U.S. bank or bank holding company filed the FR Y-1, together with a special supplement.² In 1982, the Board created the FR Y-1F for these types of applications. In 2005, the FR Y-1F was retitled, renumbered to the FR Y-3F, and modified to achieve consistency with the FR Y-3, the Application for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (OMB No. 7100-

¹ See 12 U.S.C. 1842.

² The FR Y-1 (OMB No. 7100-0119) was designed for domestic applicants; the supplement adapted the FR Y-1 for submissions by foreign applicants. In 1994, the FR Y-1 was combined with the FR Y-2 (OMB No. 7100-0171) to create the FR Y-3 (OMB No. 7100-0121). The FR Y-1 and FR Y-2 were discontinued.

0121), the application form used by domestic holding companies for acquisitions of a U.S. bank or bank holding company.

The information collected in the application form is necessary for the Board to fulfill its responsibilities under the BHC Act and the Foreign Bank Supervision Enhancement Act. The application is the only source of comprehensive and systematic data on the proposed transaction, the present and pro forma financial condition of the applicant and its proposed subsidiary(ies), the likely competitive effects of the proposal, and its likely effects on the convenience and needs of the community to be served. The Federal Reserve uses the information collected to consider the financial and managerial resources and future prospects of the institutions involved, a proposal's competitive effects, the impact of the proposal on the convenience and needs of the community to be served, and the impact of the proposal on financial stability. In addition, among other things, the form collects information about the applicant to determine if the applicant is subject to comprehensive supervision or regulation on a consolidated basis. After the consummation of an acquisition proposal, the Board uses the information collected on the FR Y-3F in the supervision program for the foreign banking organization.

Description of Information Collection

The FR Y-3F is filed by any company, organized under the laws of a foreign country, seeking to acquire a bank or bank holding company in the United States. Applicants provide financial and managerial information and discuss the competitive effects of the proposed transaction and how the proposed transaction would assist in meeting the convenience and needs of the community to be served. The application must contain the most recent information available so that the Federal Reserve can analyze compliance with relevant statutory factors.³ While the application collects the minimum amount of information needed, the instructions explicitly state that the formal questions in the application are not intended to limit the applicant's presentation.

In addition to providing a complete application, an applicant is required to publish a notice in a newspaper of general circulation in the community where the head office of the bank to be acquired is located. The notice must state the name and address of the applicant and its proposed subsidiary, and it must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than fifteen calendar days before and no later than seven calendar days after the date that the application is filed with the appropriate Federal Reserve Bank.

Proposed Revisions

The Board proposed to implement a number of revisions to the FR Y-3F reporting form. In determining which changes to propose, the Board surveyed Reserve Banks' staff to solicit

³ The BHC Act directs the Board to consider the financial and managerial resources and future earnings prospects of the banks involved in the proposed transaction. The Board also may not approve transactions that would result in monopoly or have other anticompetitive effects, unless such effects are "clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served" (12 U.S.C. 1842(c)).

recommendations for changes to the form. Although the revision adds items to the FR Y-3F, some of these additions are intended to solicit information that currently is often requested from applicants on a follow-up basis. Requesting the information in the FR Y-3F should increase the efficiency of the review process, both for applicants and for the Federal Reserve. The recommended changes are outlined below and are grouped into the following categories:

- A. Additional items relating to information that generally was previously requested as supplemental information subsequent to the filing of the initial application or are otherwise considered necessary to evaluate the statutory factors,
- B. Clarification of certain requirements, and
- C. Other minor changes for improved style, grammar, comprehension, streamlining of questions, and to provide accurate citations and addresses

Description of FR Y-3F Revisions

A. Additional Items:

- (1) Information required if the transaction is an acquisition of assets and assumption of liabilities (Item 1, question 6).
- (2) A list of all regulatory approvals and filings required for the proposed transaction (Item 1, question 8).
- (3) A copy of any findings, orders, approvals, denials or other documentation regarding the proposed transaction issued by any regulatory authority (Item 1, question 9).
- (4) Discussion of the purpose of the transaction and provision of any changes to the business plan or new business lines at the bank of bank holding company to be acquired or the resultant institution. Identification of any new business lines (Item 2, question 1).
- (5) Information required if the principal is an individual (Item 3, questions 1.c and 2.b).
- (6) Information required if the principal is a corporation or partnership (Item 3, question 1.g).
- (7) Financial information, including capital ratios, for the target bank/bank holding company (Item 6, questions 1 and 2).
- (8) Statement of any litigation or investigations involving the applicant, the target institution, and their subsidiaries during the past two years (Item 7).
- (9) List all offices of the depository subsidiary(ies) of the applicant, target and the resulting pro forma institution (Item 13, question 3).
- (10) In cases where the target's or the acquirer's total assets exceed \$10 billion, a description of the nature of cross-border activities (Item 14, question 1.a).
- (11) In cases where the dollar volume related to the service provided either by the acquirer or the target exceeds \$1 billion, the annual volume of certain financial services over the past 12 months for the acquirer and target (Item 14, question 1.b).

B. Clarification of certain information:

- (1) Statement regarding the Board's preference for electronic submission of the application.⁴
- (2) Indication of the need to contact Board staff to determine whether to file an Interagency Biographical and Financial Report (IBFR) for applications under section 3(a)(1) of the BHC Act. (Item 3, question #1.f).

⁴ The FR Y-3F, nonetheless, may be filed in paper form.

- (3) Changes to requested capital ratio calculations based on revised capital guidelines (Items 5, question 2).
 - (4) Modified or expanded requests regarding convenience and needs and the Community Reinvestment Act (Item 13, questions 1 and 2).
- C. Other minor changes to the form include those to improve style, grammar, comprehension, and to provide accurate citations and addresses, including:
- (1) Certain questions were moved to be under the proper section (Old Item 5, questions 1 and 2, moved to Item 4 as questions 1.h and 2.c).
 - (2) Wording of certain questions was revised without any change in the required information (Item 1, question 5 and Item 11, questions 3 and 4).

Time Schedule for Information Collection

An application submitted pursuant to this form is event generated and the data are not part of any published reporting series.

Legal Status

The FR Y-3F is mandatory and authorized by sections 3(a), 3(c), and 5(b) of the Bank Holding Company Act (12 U.S.C. 1842(a) and (c) and 1844(b)). The information provided in the application is not afforded confidential treatment unless the applicant specifically requests confidentiality. Any such request would be evaluated on a case-by-case basis.

Consultation Outside the Agency

On March 23, 2018, the Board published an initial notice in the *Federal Register* (83 FR 12762) requesting public comment for 60 days on the extension, with revision, of the FR Y-3F. The comment period for this notice expired on May 22, 2018. The Board did not receive any comments. The revisions will be implemented as proposed. On July 20, 2018, the Board published a final notice in the *Federal Register* (83 FR 34577).

Estimate of Respondent Burden

The revised total annual burden for these applications is estimated to be 446 hours, as shown in the following table. The current burden estimates are based on the average number of responses received over the last three years. The estimated average hours per response for initial entry is 91 hours and the estimated average hours per response for foreign organizations that have already received approval to establish a branch or agency or to acquire a U.S. bank is 71 hours. These reporting requirements of this application represent less than 1 percent of total Board paperwork burden.

FR Y-3F	<i>Number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
Initial application	1	1	90	90
Subsequent application	5	1	70	<u>350</u>
	<i>Total</i>			440
<i>Proposed</i>				
Initial application	1	1	91	91
Subsequent application	5	1	71	<u>355</u>
	<i>Total</i>			446
	<i>Change</i>			6

The total annual cost to the public for this application is estimated to be \$24,662 and would increase to \$24,998 with the proposed revisions.⁶

Sensitive Questions

This application contains no sensitive questions, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve of printing, mailing, and processing the FR Y-3F is negligible.

⁵ Of the 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/document/support--table-size-standards.

⁶ 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/.