

**Supporting Statement for the
Request for Extension of Time to Dispose of Assets Acquired in
Satisfaction of Debts Previously Contracted
(FR 4006; OMB No. 7100-0129)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the filing requirements associated with the Request for Extension of Time to Dispose of Assets Acquired in Satisfaction of Debts Previously Contracted (FR 4006; OMB No. 7100-0129). The Bank Holding Company Act of 1956 (BHC Act) and the Board's Regulation Y - Bank Holding Companies and Change in Bank Control (12 CFR 225) require a bank holding company (BHC) that acquired voting securities of a bank or BHC or the securities or assets of a company engaged in a nonbanking activity through foreclosure or otherwise in the ordinary course of collecting a debt previously contracted (DPC) to seek prior Board approval in order to retain ownership of those shares or assets for more than two years. There are no required reporting forms associated with this information collection (the FR 4006 designation is for internal purposes only).

The Board adopted revisions to the FR 4006 to account for extension requests related to the acquisition of bank or BHC shares under section 3 of the BHC Act. The current estimated total annual burden for the FR 4006 is 210 hours. The adopted revisions would result in an increase of 105 hours.

Background and Justification

Under section 3(a) of the BHC Act and section 225.12(b) of the Board's Regulation Y, a bank or other company is not required to seek prior Board approval before acquiring the securities of a bank or BHC in the ordinary course of collecting a DPC in good faith, if such securities (banking DPC property) are divested within two years of acquisition. Similarly, under section 4(c)(2) of the BHC Act and section 225.22(d)(1) of Regulation Y, a BHC is not required to seek prior Board approval before acquiring the securities or assets of a company engaged in nonbanking activity if it does so in the ordinary course of collecting a DPC in good faith, if such securities or assets (nonbanking DPC property) are divested within two years of acquisition.

In order to hold the banking or nonbanking DPC property beyond the two-year periods, a BHC is required to seek the approval of the Board. The two-year periods may be extended by the Board for up to three additional years, and holdings in certain types of nonbanking DPC property may be extended for up to five additional years (for a total of 10 years). Pursuant to section 225.12(b) of Regulation Y, a BHC may request an extension of the section 3(a) holding period for banking DPC property. Pursuant to section 225.22(d)(1) of Regulation Y, a BHC may request an extension of the section 4(c)(2) holding period for nonbanking DPC property.

In determining whether to approve an extension request, the Board takes into consideration whether the extension would be detrimental to the public interest. For requests to

hold DPC property for more than five years, the Board considers whether the BHC has made a good faith effort to dispose of the DPC property, or whether the disposal of DPC property during the initial period would have been detrimental to the BHC. The information collected serves to monitor safety and soundness and to encourage compliance with the divestiture requirement in the BHC Act and Regulation Y. Should the request be approved, the Board monitors the BHC's efforts to effect an orderly divestiture and may require divestiture before the end of the approved period if supervisory concerns warrant such action, pursuant to section 225.140(c) of Regulation Y.

Description of the Information Collection

No application form exists for a BHC to retain banking or nonbanking DPC property for more than two years. However, a BHC seeking an extension generally submits a letter to the appropriate Reserve Bank that states the relevant facts, discusses why the extension should be approved, and provides general information on the action requested such as the efforts made, to date, to effect divestiture (including reasons for any delay in the pace of divestiture) and including financial and descriptive data with respect to assets as well as the sales price of any related divested assets. Generally, extensions are granted for a period of one year, although in appropriate circumstances the Board may grant an extension of longer than one year.

Adopted Revisions

The Board adopted revisions to the FR 4006 to account for requests for an extension of the section 3(a) holding period for bank DPC property pursuant to section 225.12(b) of the Board's Regulation Y. The FR 4006 currently does not account for this collection of information.

Time Schedule for Information Collection

This information collection is event generated. The first request for extension must be filed by a BHC before the second anniversary of the date that the specific DPC property was originally acquired. Subsequent requests for extension must be filed before expiration of the previously authorized holding period.

Legal Status

The FR 4006 is authorized pursuant to sections 3(a) and 4(c)(2) of the BHC Act (12 U.S.C. §§ 1842(a) and 1843(c)(2)) and sections 225.12(b) and 225.22(d) of Regulation Y. Under sections 3(a) and 4(c)(2) of the BHC Act and sections 225.12(b) and 225.22(d)(1) of the Board's Regulation Y, a BHC is not required to seek prior Board approval before acquiring securities or assets in the ordinary course of collecting a DPC in good faith, if such securities or assets (DPC property) are divested within two years of acquisition. In order to hold the DPC property beyond the two-year period, a BHC is required to seek the approval of the Board. The two-year period may be extended by the Board for up to three additional years, and holdings in certain types of DPC property may be extended for up to five additional years (for a total of 10 years). Pursuant to section 225.12(b) of Regulation Y, a BHC may request an extension of the section 3(a) holding period for voting securities of a bank or BHC acquired in the ordinary

course of collecting a DPC in good faith. Pursuant to section 225.22(d)(1) of Regulation Y, a BHC may request an extension of the section 4(c)(2) holding period for voting securities or assets of a nonbanking company acquired in the ordinary course of collecting a DPC in good faith. The FR 4006 is required to obtain the benefit of being permitted to retain ownership, for more than two years, of voting securities or assets acquired in the ordinary course of collection a debt previously contracted.

Individual respondents may request that information submitted to the Board, pursuant to sections 225.12(b) and 225.22(d) of Regulation Y, be kept confidential on a case-by-case basis. Such requests generally contain information related to how the BHC acquired shares or asset and the plans of the BHC to divest the shares or assets. Under certain circumstances, this information may qualify under exemption 4 of the Freedom of Information Act, which protects privileged or confidential commercial or financial information (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

There has been no consultation outside the agency.

Public Comments

On April 3, 2019, the Board published an initial notice in the *Federal Register* (84 FR 13044) requesting public comment for 60 days on the extension, with revision, of the FR 4006. The comment period for this notice expired on June 3, 2019. The Board did not receive any comments. On August 13, 2019, the Board published a final notice in the *Federal Register* (84 FR 40055).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 4006 is 210 hours and would increase to 315 hours with the adopted revisions. The respondent burden per extension request is estimated to average five hours per submission. However, the respondent burden varies depending upon the complexity of the individual situation. The Board received an average of 42 requests for extension over the last two years for the section 225.22(d)(1) requirements. The Board expects that the revision would add 21 extension requests for the section 225.12(b) requirements. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 4006	<i>Estimated number of respondents¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
Section 225.22(d)(1)	42	1	5	210
Proposed				
Section 225.12(b)	21	1	5	105
Section 225.22(d)(1)	42	1	5	<u>210</u>
	<i>Total</i>			315
	<i>Change</i>			105

The estimated total annual cost to the public for this information collection is \$12,096 and would increase to \$18,144 with the adopted revision.²

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

Annual costs associated with providing the instructions for this notice are negligible. There are no mailing or printing costs incurred by the Federal Reserve System in administering this notice.

¹ 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/document/support--table-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 \$19, 45% Financial Managers at \$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). 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 2018*, published March 29, 2019, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.