

**Supporting Statement for the  
Notice of Proposed Stock Redemption  
(FR 4008; OMB No. 7100-0131)**

**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, without revision, the filing requirements associated with the Notice of Proposed Stock Redemption (FR 4008; OMB No. 7100-0131). The Bank Holding Company Act of 1956 (BHC Act) and Board's Regulation Y - Bank Holding Companies and Change in Bank Control (12 CFR 225) require a bank holding company (BHC) to seek the prior approval of the Board before purchasing or redeeming its equity securities in certain circumstances. Due to the limited information that a BHC must provide in connection with any such request, there is no required reporting form (the FR 4008 designation is for internal purposes only), and each request for prior approval must be filed as a notification with the Reserve Bank that has direct supervisory responsibility for the requesting BHC. The Federal Reserve uses the information provided in the redemption notice to supervise BHCs. The estimated total annual burden for the FR 4008 is 124 hours.

**Background and Justification**

Under section 225.4(b)(1) of Regulation Y, a BHC is required to obtain prior Board approval before purchasing or redeeming its equity securities if the gross consideration for the purchase or redemption (when aggregated with the net consideration paid by the company for all such purchases or redemptions during the preceding twelve months) is equal to 10 percent or more of the company's consolidated net worth.<sup>1</sup> A BHC is exempt from this requirement if it is well-capitalized before and immediately after the redemption, is well managed, and is not the subject of any unresolved supervisory issues,<sup>2</sup> or if it is subject to 12 CFR 225.8.<sup>3</sup> The Board uses the information provided, along with available supervisory and financial information, to determine whether to approve the request.

The Board may disapprove a purchase or redemption request if the proposal would constitute an unsafe or unsound practice or violate any law, regulation, Board order or directive, or any condition imposed by, or written agreement with, the Board. In determining whether a proposal constitutes an unsafe or unsound practice, the Board must consider whether, after the proposed purchase or redemption, the financial condition of the BHC would meet the financial standards applied under section 3 of the BHC Act, including the Board's regulatory capital rules (12 CFR 217; Regulation Q) and the Board's Policy Statement for Small Bank Holding Companies (Appendix C of Regulation Y), as applicable.

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<sup>1</sup> Net consideration is the gross consideration paid by the BHC for all of its equity securities purchased or redeemed during the period minus the gross consideration received for all of its equity securities sold during the period.

<sup>2</sup> See 12 CFR 225.4(b)(6). The definitions of "well-capitalized" and "well managed" are provided in sections 225.2(r) and (s) of Regulation Y.

<sup>3</sup> See 12 CFR 225.4(b)(7).

## **Description of Information Collection**

Under Regulation Y, a notice must be in writing and must include the following information:

- Purpose of the transaction,
- Description of the type and amount of securities to be purchased or redeemed,
- Total number of each class of shares outstanding,
- Gross consideration to be paid,
- Terms and sources of the funding for the proposal,
- Description of all equity securities redeemed within the preceding twelve months, the net consideration paid, and the terms of any debt incurred in connection with the redemptions, and
- Current and pro forma balance sheets.<sup>4</sup>

If the Board disapproves a BHC's proposed stock purchase or redemption, the BHC may submit a written request for a hearing. A stock purchase or redemption notice may be filed with related applications under the BHC Act, Bank Merger Act, or Change in Bank Control Act.

## **Time Schedule for Information Collection**

This information collection is event generated. The notice must be filed prior to the contemplated stock purchase or redemption. If the Board disapproves a BHC's proposed stock purchase or redemption, the BHC may submit a written request for a hearing within ten calendar days of receipt of the notice of disapproval from the Board.

## **Legal Status**

The FR 4008 is authorized pursuant to sections 5(b) and (c) of the BHC Act (12 U.S.C. § 1844(b) and (c)). Section 5(b) of the BHC Act, as amended by section 616 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>5</sup>, generally authorizes the Board to, among other things, issue capital regulations that are necessary to administer and carry out the purposes of the BHC Act and prevent evasions thereof. Section 5(c) of the BHC Act generally authorizes the Board to, among other things, require reports from BHCs on a range of issues. The FR 4008 is required for some BHCs to obtain the benefit of being able to purchase or redeem their equity securities.

Individual respondents may request that data submitted be kept confidential on a case-by-case basis. If a respondent requests confidential treatment, the Board will determine whether the information is entitled to confidential treatment on an ad hoc basis. Requests may include

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<sup>4</sup> BHCs not subject to the Small Bank Holding Company Policy Statement generally provide pro forma consolidated data; BHCs subject to the Small Bank Holding Company Policy Statement generally provide only pro forma parent-only data. The larger BHCs provide risk-based capital and leverage ratio calculations as of the most recent quarter, and a parent-only pro forma balance sheet if the redemption is to be debt-funded. The smaller BHCs provide parent-only pro forma balance sheets and, if the redemption is debt-funded, one-year income statements and cash flow projections.

<sup>5</sup> Public Law 111-203, 124 Stat. 1376 (2010).

information related to the BHC’s business operations, such as terms and sources of the funding for the redemption and pro forma balance sheets. This information may be kept confidential under exemption 4 for 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 Federal Reserve System.

**Public Comments**

On June 17, 2019, the Board published an initial notice in the *Federal Register* (84 FR 28047) requesting public comment for 60 days on the extension, without revision, of the FR 4008. The comment period for this notice expired on August 16, 2019. The Board did not receive any comments. On September 26, 2019, the Board published a final notice in the *Federal Register* (84 FR 50846).

**Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 4008 is 124 hours, based on an estimated response time of 15.5 hours. Because this information collection is event-generated, it is not possible to predict exactly how many notices would be filed in a particular year. The annual number of notices received over the last two years is 8, and the Board does not anticipate a material change in the number of notices received per year. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

| <b>FR 4008</b>      | <i>Estimated number of respondents<sup>6</sup></i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|---------------------|--|-------------------------|---|--------------------------------------|
| Section 225.4(b)(1) | 8  | 1                       | 15.5  | 124                                  |

The estimated total annual cost to the public for this information collection is \$7,142.<sup>7</sup>

**Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

<sup>6</sup> Of these respondents, 5 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), [www.sba.gov/document/support--table-size-standards](http://www.sba.gov/document/support--table-size-standards).

<sup>7</sup> 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](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).

## **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.