

SUPPORTING STATEMENT
Industrial Banks and Industrial Loan Companies
(OMB Control No. 3064-0213)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) for a new information collection comprised of reporting and recordkeeping requirements contained in a final rulemaking titled, “Parent Companies of Industrial Banks and Industrial Loan Companies.”¹ The final rule seeks to impose reporting and recordkeeping requirements under the Paperwork Reduction Act (PRA),² for each industrial bank subject to the rule and its Covered Company, as such term is defined in 12 CFR section 354.2. As a result, the FDIC is requesting approval from the OMB for the information collection.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Given the continuing evolution in the use of the industrial bank charter, the unique nature of applications seeking to establish de novo industrial banks, and the legitimate considerations raised by interested parties—both in support of and opposed to the industrial bank charter—the FDIC believes that the final rule formalizing and strengthening the FDIC’s existing supervisory processes and policies that apply to parent companies of industrial banks that are not subject to Federal consolidated supervision is timely and appropriate. The final rule and the information collected under the final rule provides interested parties with transparency regarding the FDIC’s practices when making determinations on filings involving industrial banks.

2. Use of the information:

Each industrial bank, and each Covered Company that directly or indirectly controls the industrial bank, must (i) agree to furnish the FDIC an initial listing, with annual updates, of all of the company’s subsidiaries, (ii) submit to the FDIC an annual report on the Covered Company and its subsidiaries, and such other reports as the FDIC may request, (iii) maintain such records as the FDIC deems necessary to assess the risks to the industrial bank and to the Deposit Insurance Fund (DIF), and (iv) in the event that the FDIC has concerns about a complex organizational structure, the FDIC may condition the approval of an application or the nonobjection to a notice—in each case that would result in an industrial bank being controlled, directly or indirectly, by a Covered Company—on the Covered Company and industrial bank to commit to providing to the FDIC, and thereafter adopting and implementing, a contingency plan that sets forth, at a minimum, one or more strategies for the orderly wind-down of

¹ Parent Companies of Industrial Banks and Industrial Loan Companies; Final Rule, 86 FR 10703 (Feb. 23, 2021).

² 44 U.S.C. 3501 *et seq.*

such industrial bank, without the need for the appointment of a receiver or conservator.

3. Consideration of the use of improved information technology:

Covered companies may use technology to the extent feasible and/or desirable or appropriate to make the required reports.

4. Effort to identify duplication:

No other federal law mandates these reporting requirements and therefore the reporting requirements are not otherwise duplicated.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

This final rule will not have a significant impact on a substantial number of small entities. As of June 30, 2020, the FDIC supervises 3,270 institutions, of which 2,492 are considered “small entities” under the Small Business Administration’s (SBA) regulations. Of the 23 existing industrial banks, eight reported total assets less than \$600 million, indicating that they could be small entities. However, to determine whether an institution is “small,” the SBA requires consideration of the receipts, employees, or other measure of size of the concern whose size is at issue and all of its domestic and foreign affiliates.

The FDIC conducted an analysis to determine whether each industrial bank’s parent company was “small,” according to the SBA size standards applicable to each particular parent company. Of the eight industrial banks that reported total assets less than \$600 million, the FDIC was able to determine that three of these potentially small industrial banks were owned by holding companies which were not small. However, the FDIC currently lacks information necessary to determine whether the remaining five industrial banks are small. Therefore, of the 23 existing industrial banks, 18 are not small entities for purposes of the SBA regulations, but no more than five, or about 22 percent, may be small entities. Additionally, the FDIC has received three change in control notices relating to industrial banks since 2010. Of those three, only one was from an industrial bank that could possibly be considered a small entity.

Therefore, given that no more than five of the 23 existing industrial banks are small entities, and that no more than one change in control notice received by the FDIC since 2010 may be from a small entity, the FDIC believes the aspects of the final rule relating to change in control notices or merger applications involving industrial banks is not likely to affect a substantial number of small entities among existing industrial banks.

6. Consequences to the Federal program if the collection were conducted less frequently:

Given the continuing evolution of the industrial bank charter, the utility of codifying certain supervisory requirements for industrial banks, the nature of entities interested in de novo industrial banks, the statutory changes enacted in the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) that clearly address the source of financial strength obligations of any company that controls an industrial bank, as well as the legitimate considerations raised by interested parties, the FDIC believes this final rule is appropriate to provide necessary transparency for market participants. Through the final rule, the FDIC is formalizing its framework to supervise industrial banks and mitigate risk to the DIF that may otherwise be presented in the absence of Federal consolidated supervision of an industrial bank and its parent company.

7. Special circumstances necessitating collection inconsistent with 5 CFR 1320.5(d)(2):

None. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On March 31, 2020, the FDIC has issued a Notice of Proposed Rulemaking in the Federal Register (85 FR 17771) seeking comment on the reporting requirements under the PRA. No comments were received with respect to the PRA.

9. Payment or gift to respondents:

None.

10. Any assurance of confidentiality:

Information collected is kept private to the extent allowed by law. All required records are subject to the confidentiality requirements of the Privacy Act. In addition, any information deemed to be of a confidential nature is exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Justification for questions of a sensitive nature:

No questions of a sensitive nature are included in the collection.

Estimate of Hour Burden:

The FDIC’s estimated burden for the respondents for complying with the collection of information is 457 hours.

Summary of Annual Burden and Internal Cost							
	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response	Frequency of Response	Total Annual Estimated Burden
Initial listing of all of the company’s subsidiaries	Reporting	Mandatory	4	1.00	4	One Time	16
Annual update of listing of all of the company’s subsidiaries	Reporting	Mandatory	4	1.00	4	Annual	16
Annual report on the Covered Company and its subsidiaries, and such other reports as the FDIC may request	Reporting	Mandatory	4	1.00	10	Annual	40
Maintain records to assess the risks to the industrial bank and to the DIF	Recordkeeping	Mandatory	4	1.00	10	Annual	40
Contingency Plan	Reporting	Mandatory	1	1.00	345	On Occasion	345
TOTAL HOURLY BURDEN							457 hours

Estimated hourly cost is 457 hours x \$94.15 = \$43,026.55.

12. Estimate of Start-up Costs to Respondents:

None.

13. Estimate of annualized costs to the government:

None.

14. Analysis of change in burden:

Since this is the first time the FDIC will be submitting an information collection in connection with the final rule, there is no change in burden. However, the burden associated with this new information collection is 457 hours.

15. Information regarding collections whose results are planned to be published for statistical use:

The results of this collection will not be published for statistical use.

16. Display of Expiration Date

This information collection is contained in a regulation.

17. Exceptions to Certification Statement

None.

B. STATISTICAL METHODS

Statistical methods are not employed in these collections.