

**Supporting Statement for the
Federal Reserve Membership Application
(FR 2083, FR 2083A, FR 2083B, and FR 2083C; OMB No. 7100-0046) and the
Federal Reserve Bank Stock Applications
(FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087; OMB No. 7100-0042)**

*Federal Reserve Bank Capital Stock
(Docket No. R-1745) (RIN 7100-AG13)*

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 following application reporting forms:

Federal Reserve Bank Stock Applications (OMB No. 7100-0042), which is comprised of:

- Application for Federal Reserve Bank Stock (for use by new national banks) (FR 2030),
- Application for Federal Reserve Bank Stock (for use by nonmember state banks converting into national banks) (FR 2030a),
- Application for Adjustment in the Holding of Federal Reserve Bank Stock (FR 2056),
- Application for Cancellation of Federal Reserve Bank Stock (for use by member banks in voluntary liquidation) (FR 2086),
- Application for Cancellation of Federal Reserve Bank Stock (for use by member banks converting into or merging into member or nonmember banks) (FR 2086a), and
- Application for Cancellation of Federal Reserve Bank Stock (for use by insolvent member banks) (FR 2087).

The Board did not revise or extend the following application reporting forms:

Federal Reserve Membership Application (OMB No. 7100-0046), which is comprised of:

- Application to the Board of Governors of the Federal Reserve System for Membership in the Federal Reserve System (FR 2083),
- Application for Federal Reserve Bank Stock (for use by state banks, except mutual savings banks, and by national banks converting into state member banks) (FR 2083A),
- Application for Federal Reserve Bank Stock (for use by mutual savings banks) (FR 2083B), and
- Certificate of Organizers or of Directors (FR 2083C).

The Board published a final rule¹ that amends Regulation I to automate non-merger-related adjustments to member banks' subscriptions to Federal Reserve Bank capital stock. The final rule also made certain technical amendments to Regulation I and conforming revisions to the FR 2056 reporting form. The final rule is effective on February 14, 2022. The Board did not change the FR 2030, FR 2030a, FR 2086, FR 2086a, or FR 2087 as part of this final rule.

¹ See 87 FR 2027 (January 13, 2022).

The current estimated total annual burden for the Federal Reserve Bank Stock Applications is 589 hours, and would decrease to 80 hours. The revisions would result in a decrease of 509 hours. The estimated total annual burden for the Federal Reserve Membership Application is 64 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

A state-chartered bank may become a member of the Federal Reserve System by filing an application and having the Board determine that the bank meets the statutory standards for membership. National banks automatically become members of the Federal Reserve System upon being chartered by the Office of the Comptroller of the Currency (OCC).

When acting upon an initial Federal Reserve membership application filed by a state-chartered bank, the Federal Reserve is required under section 9 of the Federal Reserve Act (FRA) to consider the financial condition of the applying bank, the general character of its management, and whether the corporate powers to be exercised are consistent with the FRA. The other relevant criteria established by the statute² and by regulation³ include the adequacy of capital, financial history and condition, future earnings prospects, and the convenience and needs of the community or communities to be served. Information requested of a new or existing state-chartered bank applying for Federal Reserve membership (such as deposits and earnings projections, proposed premises, and the background of proposed bank officials) is not available from any source other than the applicant. The information requested in the FR 2083 application for membership is necessary for the Federal Reserve to be able to fulfill its responsibilities with respect to evaluating a state-chartered bank for membership. The Federal Reserve uses the information collected through the application form, along with other Federal Reserve System-generated data, to determine whether the applicant bank meets the standards for approval.

The stock application forms (FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087) are authorized under the FRA and Regulation I - Issue and Cancellation of Federal Reserve Bank Capital Stock (12 CFR Part 209). These application forms must be used by a new or existing member bank (including a national bank) to request the issuance, adjustment in, or cancellation of Federal Reserve Bank stock. The application forms must contain certain certifications by the applicant as well as certain other financial and shareholder data that are needed by a Reserve Bank to process the request.

When a bank receives approval for membership in the Federal Reserve System, the bank agrees to certain conditions of membership that are contained in the approval letter. At the same time, the bank is advised that, under section 5 of the FRA,⁴ as well as Regulation I, the bank must subscribe to the capital stock of the Federal Reserve Bank in whose district the head office of the member bank is located. The Federal Reserve Bank stock application forms are necessary to obtain current information on the member bank's capital and surplus and to document the bank's request for an increase or decrease in its holdings of Federal Reserve Bank stock. This

² 12 U.S.C. § 322.

³ Regulation H - Membership of State Banking Institutions in the Federal Reserve System (12 CFR Part 208).

⁴ 12 U.S.C. § 287.

information is also used to verify that a request has been duly authorized and to prevent unauthorized requests for issuance or cancellation of Federal Reserve Bank stock. The application forms are submitted by the applying banks to Federal Reserve Banks. The information collected on these application forms is not available from any other source.

Description of Information Collection

Federal Reserve Membership Application

Any state-chartered bank applying for membership in the Federal Reserve System must file an application with the appropriate Federal Reserve Bank. The application forms for the initial subscription of Federal Reserve Bank stock filed by new or existing state-chartered bank requires one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction,
- an indication of the capital and surplus of the bank as of the date of application, and
- a certification (by official signatures) of the resolution.

The four individual application forms in the FR 2083 series (membership application and relevant attachments) are all one-time submissions that are used by new or existing state-chartered banks to apply for membership in the Federal Reserve System:

- FR 2083 - Cover sheet, with general information and instructions detailing the information to be submitted according to the type of applicant bank,
- FR 2083A - Application form for the purchase of Federal Reserve Bank stock by state banks (except mutual savings banks) and by national banks converting into state member banks,
- FR 2083B - Application form for the purchase of Federal Reserve Bank stock by mutual savings banks, and
- FR 2083C - Certificate of Organizers or Directors certifying that the information being submitted is true and complete, and the proposed capital is not impaired.

Federal Reserve Bank Stock Applications

Any national bank wanting to purchase stock in the Federal Reserve System, any member bank wanting to increase or decrease its Federal Reserve Bank stock holdings, or any bank wanting to cancel its stock holdings must file an application with the appropriate Federal Reserve Bank. The application forms for the initial subscription of Federal Reserve Bank stock filed by organizing national banks and nonmember state banks converting to national banks (FR 2030 and FR 2030a, respectively) and the application forms for the cancellation of Federal Reserve Bank stock filed by liquidating member banks, member banks merging or consolidating with nonmember banks, and insolvent member banks (FR 2086, FR 2086a, and FR 2087, respectively) may require one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction,
- an indication of the capital and surplus of the bank as of the date of application,
- a certification (by official signatures) of the resolution, and/or
- an indication of the number of shares and dollar amount of the Federal Reserve Bank stock to be purchased or canceled.

The application form for an interim adjustment in a member bank's holdings of Federal Reserve Bank stock (FR 2056) requires an indication of the capital and surplus of the bank as of the date of application and an indication of the number of shares held and the number of shares to be acquired or canceled.

A completed application form must be submitted for each required adjustment. Any member bank must use the FR 2056 to correct a discrepancy between the amount of Federal Reserve Bank stock required to be held and the amount actually held by the member bank. The latter is determined by the Reserve Bank through its monitoring of the bank's capital accounts reported quarterly on the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). The Federal Reserve Bank stock applications are distributed by the Federal Reserve Banks and the information collected enables them to account for required subscription, adjustment, or cancellation payments to and from the System and for dividends paid by the System on any outstanding stock.

Respondent Panel

The Federal Reserve Membership Application panel comprises new national banks, non-member state banks converting into national banks, member banks, and member banks converting into or merging into member or nonmember banks. The Federal Reserve Bank Stock Applications respondent panel comprises banks seeking to become state member banks, existing banks or savings institutions seeking to convert to state member bank status, national banks wanting to purchase stock in the Federal Reserve System, and member banks wanting to increase, decrease, or cancel their Federal Reserve Bank stock holdings.

Revisions to the FR 2056

The Board adopted amendments to Regulation I that automate non-merger-related adjustments to member banks' subscriptions to Reserve Bank capital stock. Regulation I currently requires that a member bank apply to adjust its stock subscription at least annually and sometimes quarterly. A member bank determines its required stock subscription based on its capital and surplus (or total deposit liabilities for a mutual savings bank) as reported in the member bank's most recent Call Report.

The Reserve Banks have developed software that automatically pulls the information needed to calculate member banks' required stock subscriptions from Call Reports. Accordingly, the Board adopted amendments to section 209.4 that will automate non-merger-related stock adjustments. The Board also adopted amendments to section 209.3(d) that would require a surviving stockholder to apply to adjust its stock subscription before merging with another bank.

Consistent with these changes to Regulation I, the Board eliminated the requirement that member banks routinely submit FR 2056 reporting forms to adjust their stock subscriptions. The Board amended the FR 2056 reporting form to clarify that the form should be filed only by a surviving member bank that merges or consolidates with another bank. There were no changes made to the FR 2030, FR 2030a, FR 2086, FR 2086a, or FR 2087.

Time Schedule for Information Collection

Submission of these applications is event generated. The FR 2083 is filed by a new or existing state member bank when it wishes to become a member of the Federal Reserve System. The FR 2030 must be submitted by a national bank while in the process of organizing and the FR 2030a must be submitted by a state nonmember bank while in the process of converting to a national bank. The FR 2056 must be filed promptly after the first Call Report that reflects a required adjustment in a bank's holdings of Federal Reserve Bank stock or as necessitated by a merger or other consolidation. The FR 2086, FR 2086a, and FR 2087 are usually submitted 30 calendar days after the event triggering the need for cancellation of a bank's Federal Reserve Bank stock.

Public Availability of Data

The information in the applications is not published.

Legal Status

The Federal Reserve Membership Application is authorized by section 9 of the FRA (12 U.S.C. §§ 321, 322, 323, 329, and 333). The Federal Reserve Bank Stock Applications are authorized pursuant to sections 9 and 11(a) of the FRA (12 U.S.C. §§ 321 and 248(a)). Additionally, the FR 2030 and FR 2030a are specifically authorized by section 2 of the FRA (12 U.S.C. §§ 222 and 282), the FR 2056, FR 2086, and FR 2086a are authorized by section 5 of the FRA (12 U.S.C. § 287), and the FR 2087 is authorized by section 6 of the FRA (12 U.S.C. 288). The FR 2083 is required to obtain a benefit, while the FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087 are mandatory.

Individual respondents may request that information submitted to the Board in these applications be kept confidential on a case-by-case basis. Such applications may contain information related the business plans of the respondent. Under certain circumstances, this information may be withheld under exemption 4 of the Freedom of Information Act (FOIA), which protects privileged or confidential commercial or financial information (5 U.S.C. § 552(b)(4)). These applications may also contain information of a personal nature the disclosure of which would result in a clearly unwarranted invasion of personal privacy, which may be protected under exemption 6 of the FOIA (5 U.S.C. § 552(b)(6)). Additionally, exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)) may apply to the extent the reported information is contained in or related to examination reports.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On April 13, 2021, the Board published a notice of proposed rulemaking in the *Federal Register* (86 FR 19152) for public comment on the extension, with revision, of the Federal

Reserve Bank Stock Applications. The comment period for this notice expired on June 14, 2021. The Board did not receive any specific comments related to the Paperwork Reduction Act analysis. On January 13, 2022, the Board published a final rule in the *Federal Register* (87 FR 2027). The final rule is effective on February 14, 2022.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the Federal Reserve Bank Stock Applications is 589 hours, and would decrease to 80 hours. For the FR 2056, the Board anticipates that there are approximately 50 mergers each year in which the surviving stockholder is a member bank, and it will take a surviving stockholder approximately 30 minutes to complete the paperwork associated with an adjustment to its stock subscription; the remaining burden estimates are unchanged. The estimated total annual burden for the Federal Reserve Membership Application is 64 hours. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

	<i>Estimated number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
Federal Reserve Membership Application				
FR 2083, FR 2083A, FR 2083B, and FR 2083C	16	1	4	64
Federal Reserve Bank Stock Applications				
FR 2030	4	1	0.5	2
FR 2030a	7	1	0.5	4
FR 2056	1,068	1	0.5	534
FR 2086	10	1	0.5	5
FR 2086a	86	1	0.5	43
FR 2087	1	1	0.5	<u>1</u>
	<i>Current Total</i>			589
Proposed				
Federal Reserve Membership Application				
FR 2083, FR 2083A, FR 2083B, and FR 2083C	16	1	4	64
Federal Reserve Bank Stock Applications				
FR 2030	4	1	0.5	2
FR 2030a	7	1	0.5	4
FR 2056	50	1	0.5	25
FR 2086	10	1	0.5	5
FR 2086a	86	1	0.5	43
FR 2087	1	1	0.5	<u>1</u>
	<i>Proposed Total</i>			80
	<i>Change</i>			(509)

The estimated total annual cost to the public for the membership applications is \$3,786. The estimated total annual cost to the public for the stock applications is \$34,839, and would decrease to \$4,732 with the revisions.⁶

⁵ Of these respondents, 50 FR 2056 filers are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support--table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

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 \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020*, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing these reports is negligible.