

**Supporting Statement for the
Domestic Branch Application
(FR 4001; OMB No. 7100-0097)**

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 reporting and disclosure requirements associated with the Domestic Branch Application (FR 4001; OMB No. 7100-0097). The Federal Reserve Act and the Board's Regulation H - Membership of State Banking Institutions in the Federal Reserve System (12 CFR Part 208) require a state member bank to seek prior approval of the Federal Reserve System before establishing or acquiring a domestic branch. Such requests for approval must be filed as applications at the appropriate Reserve Bank for the state member bank.

Due to the limited information that a state member bank generally has to provide for branch proposals, there is no reporting form for a domestic branch application. A state member bank is required to notify the Federal Reserve by letter of its intent to establish one or more new branches and provide evidence that public notice of the proposed branch(es) has been published by the state member bank in the appropriate newspaper(s).¹ The Federal Reserve uses the information provided to fulfill its statutory obligation to review branch applications before acting on the proposals and to otherwise supervise state member banks.

The estimated total annual burden for the FR 4001 is 421 hours. There is no formal reporting form for this collection of information (the FR 4001 designation is for internal purposes only).

Background and Justification

Under section 9 of the Federal Reserve Act (12 U.S.C. § 321) and section 208.6 of Regulation H (12 CFR 208.6), a state member bank is required to obtain Board approval before establishing or acquiring a domestic branch.² The Federal Reserve uses the information included

¹ The Board's Rules of Procedure (12 CFR Part 262) require the use of newspaper for public notifications. For the purposes of the FR 4001, the notice must be published in a newspaper of general circulation in the community or communities in which the head office of the bank and the proposed branch are located.

² The regulation defines "branch" to be "any branch bank, branch office, branch agency, additional office, or any branch place of business that receives deposits, pays checks, or lends money . . . include[ing] a temporary, seasonal, or mobile facility that meets these criteria." Regulation H states that branches do not include (1) a loan-origination facility where the proceeds of loans are not disbursed, (2) an office of an affiliated or unaffiliated institution that provides services to customers of the member bank on behalf of the member bank so long as the institution is not established or operated by the bank, (3) an automated teller machine, (4) a remote service unit, (5) a facility to which the bank does not permit members of the public to have physical access for purposes of making deposits, paying checks, or borrowing money (such as an office established by the bank that receives deposits only through the mail), or (6) a facility that is located at the site of, or is an extension of, an approved main office or branch. The Board determines whether a facility is an extension of an existing main or branch office on a case-by-case basis. In addition, the branches of state member banks located in foreign nations, in the overseas territories, dependencies, and insular possessions of those nations and of the United States, and in the Commonwealth of Puerto Rico, are subject to the Board's Regulation K - International Banking Operations (12 CFR Part 211). See 12 CFR 208.6(a)(2).

in the application, along with available supervisory and financial information, to determine whether to approve the application. Under section 208.6 of Regulation H, the factors that the Board must consider in acting on branch applications include (1) the financial history and condition of the applying bank and the general character of its management, (2) the adequacy of the bank's capital and its future earnings prospects, (3) the convenience and needs of the community to be served by the branch, (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act (CRA),³ and (5) whether the bank's investment in bank premises in establishing the branch is consistent with the criteria in 12 CFR 208.21.

Branch applications are reviewed by the Federal Reserve on either an expedited or nonexpedited processing track. An application filed by an "eligible bank" may be reviewed on an expedited processing track. An eligible bank is defined in section 208.2(e) of Regulation H as a bank that (1) is well-capitalized as defined in Subpart D of the regulation, (2) has a Uniform Financial Institutions Rating System composite CAMELS rating of 1 or 2, (3) has a CRA rating of outstanding or satisfactory, (4) has a compliance rating of 1 or 2, and (5) has no major unresolved supervisory issues outstanding (as determined by the Board or appropriate Federal Reserve Bank in its discretion). This information is not available from other sources.

Description of Information Collection

Reporting Requirements

No application form exists for a state member bank to establish or acquire a domestic branch. The state member bank is required, however, to submit to the appropriate Reserve Bank an application in letter form that states the facts involved and includes general information on the action requested.⁴ This information includes a description of the proposed branch and its proposed location, as well as evidence (such as a copy of the actual notice) that public notice of the proposed transaction has been published by the state member bank in the appropriate newspaper(s). A bank that meets the criteria for expedited treatment files only this information (and the certification described as a disclosure requirement below). A bank that does not meet the criteria for expedited treatment typically is required to provide more detailed information addressing the matters that prevent the application from qualifying for expedited treatment as well as any other outstanding issues identified by the Federal Reserve.⁵

Regulation H also has a provision allowing for the filing of consolidated branch applications. Under this provision, a state member bank may seek approval in a single application for any branches that it proposes to establish within one year after the contemplated approval date. Unless notification is waived, the bank must notify the appropriate Federal

³ 12 U.S.C. § 2901 et seq.

⁴ Requests that involve the acquisition of an existing branch from another insured depository institution also require the filing of a related application under the Bank Merger Act (12 U.S.C. § 1828(c)). In such a situation, the information required by the FR 4001 may be incorporated in the Bank Merger Act application, with the related filings reviewed together as a single proposal.

⁵ A state member bank may be advised by the Federal Reserve that it is not eligible for expedited procedures either before or after the filing of a domestic branch application.

Reserve Bank no later than 30 days after opening any branch approved under the consolidated application.

Disclosure Requirement

A state member bank wishing to establish a domestic branch generally must publish notice in a newspaper of general circulation in the community or communities in which the head office of the bank and the proposed branch are located.⁶ The newspaper notice must be published no more than seven calendar days before and no later than the calendar day on which an application is filed with the appropriate Reserve Bank.

As soon as practicable after the initial filing of a domestic branch application and prior to final action on the application by the Federal Reserve, the applicant must provide a certified copy of the requisite newspaper notice publication(s). The original newspaper notice must contain the name and location of the proposed branch, and must invite the public to submit written comments on the proposal to the appropriate Reserve Bank. The comment period must be for at least 15 calendar days. Sections 208.6(a)(3) and (4) of Regulation H describe the procedural rules for public notice and comment for branch applications.

Respondent Panel

The FR 4001 panel comprises state member banks.

Time Schedule for Information Collection

This information collection is event-generated. The domestic branch application must be filed prior to a state member bank establishing or acquiring a branch.

Public Availability of Data

Data from this information collection is available to the public via the public notice of the proposed branch(es) published by the state member bank in the appropriate newspaper(s). The Board may publish certain information submitted in connection with the FR 4001 in its H.2 release and in *Federal Register* notices. Otherwise, the Board does not routinely publicly release information collected as a part of a branch application.

Legal Status

The filing requirements under the FR 4001 are authorized by section 9(3) of the Federal Reserve Act requiring state member banks to obtain Board approval prior to establishing a domestic branch (12 U.S.C. § 321). The filing requirements under the FR 4001 are required to obtain a benefit.

The information in a state member bank's domestic branch application is public. A state member bank may request that portions of its application be kept confidential pursuant to

⁶ 12 CFR 262.3(b).

exemption 4 of the Freedom of Information Act (FOIA) if they contain commercial or financial information that is both customarily and actually treated as private (5 U.S.C. § 552(b)(4)). Information provided by a state member bank as part of its domestic branch application may also be considered confidential under FOIA exemption 6 if the application contains personal information, the disclosure of which would “constitute a clearly unwarranted invasion of personal privacy” (5 U.S.C. § 552(b)(6)) and under FOIA exemption 8 if the application is obtained as part of an examination or supervision of a financial institution (5 U.S.C. § 552(b)(8)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On October 18, 2021, the Board published an initial notice in the *Federal Register* (86 FR 57673) requesting public comment for 60 days on the extension, without revision, of the FR 4001. The comment period for this notice expired on December 17, 2021. The Board did not receive any comments. The Board adopted the extension, without revision, of the FR 4001 as originally proposed. On February 17, 2022, the Board published a final notice in the *Federal Register* (87 FR 9054).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 4001 is 421 hours. The FR 4001 annual reporting burden estimate is based on the total number and type of applications processed in 2020. The respondent burden is estimated to be 1 hour for expedited applications and 1.5 hours for nonexpedited applications for the reporting requirements and 30 minutes for the disclosure requirements associated with both expedited and nonexpedited applications. These reporting and disclosure requirements represent less than 1 percent of the Board’s total paperwork burden.

FR 4001	<i>Estimated number of respondents⁷</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reporting				
Expedited	55	1	1.0	55
Nonexpedited	169	1	1.5	254
Disclosure	224	1	0.5	<u>112</u>
	<i>Total</i>			<u>421</u>

⁷ Of these respondents, 17 banks that submitted requests that met the criteria for expedited processing and 60 banks that submitted requests that were reviewed for nonexpedited processing 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.

The estimated total annual cost to the public for the FR 4001 is \$25,449.⁸

Sensitive Questions

This collection of information contains 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 this information collection is \$159,500.

⁸ 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 \$21, 45% Financial Managers at \$74, 15% Lawyers at \$71, and 10% Chief Executives at \$102). 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 2021*, published March 31, 2022, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.