

**Supporting Statement for the
Application to Become a Savings and Loan Holding Company or to
Acquire a Savings Association or Savings and Loan Holding Company
(FR LL-10(e); OMB No. 7100-0336)**

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 Application to Become a Savings and Loan Holding Company or to Acquire a Savings Association or Savings and Loan Holding Company (FR LL-10(e); OMB No. 7100-0336). This information collection must be filed in connection with certain proposals involving the formation, acquisition, or merger of a savings and loan holding company (SLHC); the acquisition by an SLHC of a savings association or its assets; and the acquisition of control of a savings association by certain individuals associated with a SLHC. The Board requires the submission of this filing from an applicant for regulatory and supervisory purposes and to allow the Board to fulfill its statutory obligations to review these transactions under section 10(e) of the Home Owners' Loan Act (HOLA) (12 U.S.C. 1461 et seq.) and the Board's Regulation LL - Savings and Loan Holding Companies (12 CFR 238.11).

The Board revised the FR LL-10(e) by (1) adding a two-page standardized application and certification form, (2) adding instructions on what information a filer must include in a notice regarding the reorganization of a newly-formed holding company pursuant to 12 CFR 238.12(a)(2), (3) providing that applicants that have elected to utilize the Community Bank Leverage Ratio framework would not be required to submit information related to risk-weighted assets or risk-based capital ratios, and (4) explicitly listing filings under section 238.11(f) of Regulation LL on the instructions.

The current estimated total annual burden for the FR LL-10(e) is 900 hours, and would increase to 915 hours. The revisions would result in an increase of 15 hours. The FR LL-10(e) instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

Section 10(e) of HOLA, as implemented in Regulation LL, provides that certain transactions involving the formation, acquisition, or merger of an SLHC or the acquisition of a savings association require prior written approval from the Board.¹ These transactions consist of the formation of an SLHC, an acquisition that causes a savings association to become a subsidiary of an SLHC, the acquisition of control of all or substantially all of the assets of a savings association or an SLHC, the merger of SLHCs, and the acquisition of control of a savings association or SLHC by certain individuals.²

¹ Certain transactions are exempt from this requirement pursuant to HOLA or 12 CFR 238.12. A reorganization of a holding company pursuant to 12 CFR 238.12(a)(2) does not require prior approval from the Board but does require an informational filing.

² 12 CFR 238.11.

The information required for the FR LL-10(e) allows the Board to fulfill its responsibilities under HOLA and Regulation LL to evaluate the subject transactions. The completed FR LL-10(e) is the primary source of comprehensive data on, among other things, the structure of the proposal, the pro forma financial condition of the applicant and of its subsidiary(ies), the competitive position of the applicant and entities being acquired, and the convenience and needs of communities to be served.³ The information helps the Federal Reserve to determine whether a proposed transaction is financially sound, competitively acceptable, and consistent with convenience and needs considerations. This information is not available from other sources.

Description of Information Collection

Reporting Requirements

The FR LL-10(e) is event generated. As noted, the form collects information concerning certain proposed SLHC formations, acquisitions, and mergers. Specifically, the form collects financial and managerial information and information about the proposed transaction, the competitive effects of the proposal, and the impact of the transaction on the convenience and needs of the communities to be served. The application must be submitted to the appropriate Federal Reserve Bank by an existing or proposed SLHC or by certain individuals. Applicants are urged to submit the FR LL-10(e) electronically, but other modes of submission are available.

Disclosure Requirements

Applicants that file the FR LL-10(e) are required to publish a notice in a newspaper of general circulation in the community(ies) in which the head office(s) of the applicant; its largest subsidiary savings association, if any; and each savings association to be directly or indirectly acquired are located.⁴ Notices generally state the name and address of the applicant and all SLHCs and savings associations that it proposes to acquire, and must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than fifteen calendar days before and no later than seven calendar days after the date that the application is filed with the appropriate Federal Reserve Bank.

Respondent Panel

The FR LL-10(e) panel comprises entities seeking prior approval to become or acquire an SLHC or merge SLHCs; SLHCs seeking to acquire a savings association or all or substantially all of the assets of a savings association or SLHC; and directors or officers of a SLHC, or any individual who owns, controls, or holds the power to vote (or holds proxies representing) more than 25 percent of the voting shares of an SLHC seeking control of any savings association that is not a subsidiary of such SLHC.

³ See 12 U.S.C. § 1467a(e)(2).

⁴ Publication is not required for a reorganization pursuant to 12 CFR 238.12(a)(2).

Revisions to the FR LL-10(e)

Standardized Form

The Board revised the FR LL-10(e) by adding a two-page standardized application and certification form. The application and certification form record identification and contact information for the applicant, whether the applicant is requesting confidential treatment for materials submitted, and a certification by a representative of the applicant that, among other things, the information provided in the application is accurate to the best of the signatory's knowledge and belief. Adding a certification page would be consistent with other similar Board application forms.

Filing Requirements for Informational Filings

The Board also revised the FR LL-10(e) to include instructions on what information a filer must include in a notice regarding the reorganization of a newly-formed holding company pursuant to 12 CFR 238.12(a)(2). Under HOLA and Regulation LL, such a reorganization does not require prior approval from the Board. However, Regulation LL notes that an informational filing is required, and the revised instructions indicate that the filer must provide information regarding the Proposed Transaction and Financial and Managerial Information in such a situation.

CBLR Framework

Recent legislative and regulatory changes implemented the CBLR framework in 2020, which, if utilized by a qualifying depository organization, eliminates the requirement for the organization to track risk-weighted assets and report risk-based capital ratios.⁵ In light of this change, the Board revised the FR LL-10(e) instructions to provide that applicants that have elected to utilize the CBLR framework would not be required to submit information related to risk-weighted assets or risk-based capital ratios. Similarly, if the savings association subsidiary of an applicant has elected to use the CBLR framework, the applicant would no longer be required to submit the FR LL-10(e) information related to the savings association's risk-weighted assets or risk-based capital ratios. The revisions would simplify the reporting requirement with regard to those savings associations and SLHCs that have elected to utilize the CBLR framework.

Filings Pursuant to Section 238.11(f) of Regulation LL and Other Clarifications

Pursuant to section 238.11(f) of Regulation LL, a director or officer of an SLHC, or any individual who owns, controls, or holds the power to vote (or holds proxies representing) more than 25 percent of the voting shares of such an SLHC, must receive the approval of the Board prior to acquiring control of any savings association that is not a subsidiary of such SLHC. The Board modified the FR LL-10(e) instructions to explicitly provide that the FR LL-10(e) must be submitted for such an application.

⁵ See Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations, 84 FR 61776 (November 13, 2019). See also 12 CFR 217.12.

The Board also made a minor change that would correct a cross-reference to the Board's rules regarding the availability of information and to clarify that the informational requirements of the FR LL-10(e) are mandatory for all filers.

Time Schedule for Information Collection

The application is event generated.

Public Availability of Data

No data collected by this information collection is published.

Legal Status

The FR LL-10(e) is authorized by section 10(b)(2) of HOLA requiring SLHCs to register with the Board on such forms as it may prescribe and authorizing the Board to require reports from SLHCs containing such information concerning the operations of SLHCs and their subsidiaries as the Board may require (12 U.S.C. § 1467a(b)). The FR LL-10(e) is required to obtain a benefit.

Information submitted on the FR LL-10(e) may be protected from disclosure pursuant to exemption 8 of the Freedom of Information Act (FOIA) if it is contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions (5 U.S.C. 552(b)(8)). An applicant may also request confidential treatment for information provided on the FR LL-10(e) in accordance with the Board's Rules Regarding Availability of Information,⁶ and such requests will be reviewed on a case-by-case basis. To the extent information provided on the FR LL-10(e) is nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, or to the extent the information reflects personnel and medical files, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy, the information may be protected from disclosure pursuant to FOIA exemption 4 or 6, respectively (5 U.S.C. §§ 552(b)(4) and (b)(6)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On January 28, 2022, the Board published an initial notice in the *Federal Register* (87 FR 4593) requesting public comment for 60 days on the extension, with revision, of the FR LL-10(e). The comment period for this notice expired on March 29, 2022. The Board did not receive any comments. The Board adopted the extension, with revision, of the FR LL-10(e) as originally proposed. On May 23, 2022, the Board published a final notice in the *Federal Register* (87 FR 31235).

⁶ 12 CFR 261.17.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR LL-10(e) is 900 hours, and would increase to 915 hours with the revisions reflecting a 15 hour increase. This increase is due to the addition of the estimated burden associated with the requirement for applicants to publish a notice in a newspaper that is currently approved by the Board but was not included in prior burden estimates. The Board does not expect that the addition of the standardized application and certification form will impact the burden of this collection. The revised burden estimates are based on the number of applications and notifications, including post-consummation notices, received in 2019 and 2020. These reporting and disclosure requirements represent less than 1 percent of the Board’s total paperwork burden.

| FR LL-10(e) | <i>Estimated number of respondents⁷</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|-----------------------|--|-------------------------|---|--------------------------------------|
| Current | | | | |
| Reporting | 15 | 1 | 60 | 900 |
| Proposed | | | | |
| Reporting | 15 | 1 | 60 | 900 |
| Disclosure | 15 | 1 | 1 | <u>15</u> |
| <i>Proposed Total</i> | | | | 915 |
| <i>Change</i> | | | | 15 |

The estimated total annual cost to the public for the FR LL-10(e) is \$54,405, and would increase to \$55,312 with the revisions.⁸

Sensitive Questions

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

⁷ Of these respondents, 8 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.

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/>.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this information collection is negligible.