

**Supporting Statement for
Bank Holding Company Applications and Notifications
(FR Y-3, FR Y-3N, and FR Y-4; OMB No. 7100-0121)**

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 Bank Holding Company Applications and Notifications (OMB No. 7100-0121). This information collection is comprised of the following reporting forms:

- Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company (FR Y-3),
- Notification to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company (FR Y-3N), and
- Notification by a Bank Holding Company to Acquire a Nonbank Company and/or Engage in Nonbanking Activities (FR Y-4).

These filings collect information on proposals by bank holding companies (BHCs) involving formations, acquisitions, mergers, and nonbanking activities. The Board requires the submission of these filings for regulatory and supervisory purposes and to allow the Board to fulfill its statutory obligations under the Bank Holding Company Act of 1956 (BHC Act). The Board uses this information to evaluate each individual transaction with respect to financial and managerial factors, permissibility, competitive effects, financial stability, net public benefits, and the impact on the convenience and needs of affected communities.

The Board revised the FR Y-3, FR Y-3N, and FR Y-4 forms and instructions to update or add certain citations and references; delete language that requires an explanation of the assumptions used in financial projections only if the projections deviate from historical performance; remove the sample publication from the instructions; add questions regarding groups acting in concert, individuals who would own 10 percent or more of the applicant, and companies that would own five percent or more of the applicant; add a requirement that applicants provide a breakdown of pro forma equity; add a requirement that applicants identify any management official of the applicant who is also a management official at another depository institution; and add a question regarding the integration of the target into the applicant.

The current estimated total annual burden for the FR Y-3, FR Y-3N, and FR Y-4 is 7,215 hours, and would increase to 7,603 hours. The revisions would result in an increase of 388 hours. The forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportingforms>.

Background and Justification

Pursuant to section 3 of the BHC Act and the Board's Regulation Y - Bank Holding Companies and Change in Bank Control (12 CFR Part 225), a company proposing to become a BHC, or a BHC proposing to acquire a subsidiary bank, or acquire control of bank or BHC

securities generally must apply for the Board's prior approval.¹ The FR Y-3 is the required form for such an application. Certain BHC formations and acquisitions of banks instead require only the filing of a prior notice with the Board.² The FR Y-3N is the required form for such a notice. In assessing an application or notice pursuant to section 3 of the BHC Act, the Board considers the competitive effects of the proposal; the financial and managerial resources and the future prospects of the institutions involved, as well as the effectiveness of the institutions in combatting money laundering; the effects of the proposal on the convenience and needs of the communities to be served; and the effects of the proposed transaction on the stability of the United States banking or financial system.³

Section 4 of the BHC Act generally states that a BHC may not acquire ownership of any company that is not a bank.⁴ However, section 4 and the Board's Regulation Y provide that a BHC may engage in certain nonbanking activities or acquire a company engaged in certain nonbanking activities after providing notice to the Board, or, in some cases, without obtaining prior approval or providing prior notice.⁵ In circumstances where a prior notice is required pursuant to Regulation Y, the FR Y-4 is the required form for such a notice. In acting on such a proposal, the Board considers whether the notificant's performance of the activities can reasonably be expected to produce benefits to the public (such as greater convenience, increased competition, and gains in efficiency) that outweigh possible adverse effects (such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices). The Board's consideration of these factors includes an evaluation of the financial and managerial resources of the notificant, including its subsidiaries and any company to be acquired, the effect of the proposed transaction on those resources, and the management expertise, internal control and risk-management systems, and capital of the entity conducting the activity.⁶

The Federal Reserve has the sole authority to act on applications and notices filed under sections 3 and 4 of the BHC Act. The information requested for each filing is necessary for the Board to fulfill its responsibilities under the BHC Act. The completed filings are the primary source of comprehensive data on the structure of the proposal, the pro forma financial condition of the filer and its subsidiary(ies), the competitive effects of the proposal, the effect that the proposal would have on the public interest, and, if applicable, the nonbanking activities in which the filer proposes to engage. This information is not available from any other source and is necessary for the Federal Reserve to determine whether a proposed transaction is consistent with the relevant statutory factors for approval under the BHC Act and Regulation Y.

Description of Information Collection

The FR Y-3, FR Y-3N, and FR Y-4 are event generated. The application and notification forms collect information concerning proposed BHC formations, acquisitions, mergers, and

¹ 12 U.S.C. § 1842(a); 12 CFR 225.11.

² 12 CFR 225.14, 225.17.

³ 12 U.S.C. § 1842.

⁴ 12 U.S.C. § 1843(a).

⁵ 12 U.S.C. § 1842(c); 12 CFR Part 225.22-.23, Subpart C.

⁶ 12 U.S.C. § 1843.

proposed nonbanking activities. The acquisitions may involve bank, nonbank, and BHC targets. These applications and notifications are submitted to the appropriate Federal Reserve Bank by existing or proposed BHCs.

Certain applicants and notificants that file the FR Y-3, FR Y-3N, or FR Y-4 are required to disclose certain information in the form of a newspaper notification. Applicants that file the FR Y-3 and notificants that file the FR Y-3N pursuant to section 225.14 of Regulation Y are required to publish a notice in a newspaper of general circulation in the community or communities in which the head offices of the largest subsidiary bank, if any, of an applicant and of each bank, shares of which are to be directly or indirectly acquired, are located. Notificants that file the FR Y-4 are required to publish a newspaper notice, only in connection with a proposal to acquire a savings association, in the communities in which the head offices of the notificant BHC, its largest subsidiary bank, and each savings association to be directly or indirectly acquired is located. Notificants that file the FR Y-3N pursuant to section 225.17 of Regulation Y are not required to publish any newspaper notice.

When required, a newspaper notice must state the name and address of the applicant and its proposed subsidiary, and it 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 Reserve Bank.

FR Y-3

Except with regard to acquisitions that qualify for a FR Y-3N prior notice filing, as described below, the FR Y-3 application form must be submitted by:

- a company⁷ seeking prior approval to become a BHC through the direct or indirect acquisition of one or more banks, or
- an existing BHC seeking prior approval to (1) take any action that causes a bank to become a subsidiary of the BHC, (2) acquire direct or indirect ownership or control of any voting securities of a bank or BHC, if the acquisition results in the company's control of more than 5 percent of the outstanding shares of any class of voting securities of the bank or BHC,⁸ (3) merge or consolidate with another BHC, or (4) otherwise acquire all or substantially all of the assets of a bank.

The FR Y-3 application requires information on the structure of the proposed transaction, information on competition, convenience and needs, financial stability, and financial and managerial information. The FR Y-3 instructions describe the publication requirements for each application.

⁷ Including any United States corporation, partnership, business trust, association, any other trust that does not terminate within twenty-five years (or within twenty-one years and ten months after the death of individuals living on the effective date of the trust), or similar organization. 12 CFR 225.2(d)(1).

⁸ Once a BHC owns more than 50 percent of the outstanding voting securities of a bank, the BHC Act provides that, generally, no further regulatory approval is required to acquire additional shares of the bank. See 12 CFR 225.12(c).

FR Y-3N

The FR Y-3N prior notification form, rather than the FR Y-3 application, may be submitted for:

- certain one-bank BHC formations described in section 225.17 of Regulation Y, or
- certain bank acquisitions by existing well-run BHCs, as described in section 225.14 of Regulation Y.

Formation notifications filed under section 225.17 of Regulation Y must be provided in writing and contain a certification that the requirements of 12 U.S.C. § 1842(a)(C) and section 225.17(a) of Regulation Y are met. The notification also must contain shareholder information, both prior to and following the reorganization, as well as management and financial information.

Acquisition and merger notifications filed under section 225.14 of Regulation Y must be provided in writing and contain a certification that all of the criteria listed in section 225.14(c) are satisfied. Among other criteria, only well-capitalized and well-managed organizations may use the expedited procedure in section 225.14. Each notification also must contain a description of the transaction and the effect on the convenience and needs of the communities to be served, evidence of publication of the proposed transaction, financial information based on the size of the BHC, managerial and capital information that is dependent on the type of proposal, and competitive information.

Although the FR Y-3N requires the same type of information as the FR Y-3, the FR Y-3N requests less detail. The FR Y-3N instructions describe the publication requirements for notifications filed under section 225.14 of Regulation Y. Notifications filed under section 225.17 do not require public notice.

FR Y-4

The FR Y-4 notification form is completed by a BHC to:

- acquire the assets or shares of a nonbank company (including a nonbank insured depository institution) and engage in nonbanking activities under section 4(c)(8) of the BHC Act, or
- engage de novo in nonbanking activities under section 4(c)(8) of the BHC Act.

These notifications generally require information on the proposed transaction, information on competition and public benefits, and financial and managerial information. For notifications to engage de novo in nonbanking activities permissible under Regulation Y, only the name and location of the applicant, the name and location of the company that will perform the activity, the activity to be conducted, and the geographic area to be served must be submitted.

The instructions to the FR Y-4 describe two expedited procedures for certain nonbanking proposals, one of which does not require use of a notification form. The first expedited procedure allows well-run BHCs to file post-consummation notices for proposals to engage de novo in

nonbanking activities that have been permitted by regulation.⁹ The second procedure allows well-run BHCs (that also meet certain additional criteria in section 225.23(c) of Regulation Y) to seek prior Federal Reserve approval on an expedited timeframe.¹⁰ To use the second procedure, a BHC must file, at the appropriate Reserve Bank and at least 12 business days before effecting the proposed transaction, an FR Y-4 that contains the information required in section 225.23(a) of Regulation Y. Within 12 business days following the filing, the Reserve Bank or the Board may indicate that a non-expedited notification is required under section 225.24 of Regulation Y.

Proposals that do not qualify for the two streamlined procedures are subject to the standard (non-expedited) procedures outlined in section 225.24 of Regulation Y. The informational requirements for such a notification depend on the type of transaction and are contained in sections 225.24(a)(1) and (2) of Regulation Y. To engage de novo in permissible nonbanking activities listed in section 225.28 of Regulation Y (listed activities), the BHC must file a notification containing a description of the activities to be conducted, with appropriate legal authorities cited, and the identity of the company that will conduct the activity. To engage de novo in nonbanking activities not listed in section 225.28 of Regulation Y but previously approved by the Board (unlisted activities), or to acquire a company engaged in listed or unlisted activities, the notification must include a description of the proposal; the identity of any entity involved in the proposal; a statement of public benefits; certain financial information; a description of management expertise, internal controls, and risk-management systems to be utilized; and a copy of any purchase agreement(s). The FR Y-4 instructions describe the publication requirements for each relevant transaction type.

Respondent Panel

The FR Y-3 and FR Y-3N panels comprise BHCs and any company seeking to become a BHC. The FR Y-4 panel comprises BHCs.

Frequency and Time Schedule

The FR Y-3, FR Y-3N, and FR Y-4 application and notifications submitted pursuant to these forms are event-generated and filed with the appropriate Reserve Bank. Applicants are strongly encouraged to submit their applications electronically through the Federal Reserve System's web-based platform, FedEZFile

(<https://www.federalreserve.gov/supervisionreg/afi/afi.htm>).¹¹

⁹ The notificant BHC does not use the FR Y-4 form to satisfy this requirement. Instead, within 10 business days after commencing the activity, the BHC submits in writing to its appropriate Reserve Bank the information and certifications specified in section 225.22(a)(3) of Regulation Y.

¹⁰ The nonbanking proposals that may qualify for this expedited procedure involve a filing to (1) engage de novo in any nonbanking activity that the Board has permitted by order or regulation or (2) acquire voting shares or assets of a going concern engaged in any nonbanking activity that the Board has permitted by order or regulation (except operating a nonbank insured depository institution).

¹¹ The FR Y-3, FR Y-3N, and FR Y-4 application may alternatively be submitted in paper form, however applicants are strongly encouraged to submit applications through FedEZFile.

Revisions to the FR Y-3, FR Y-3N and FR Y-4

The Board modified the language in the General Instructions of the FR Y-3, FR Y-3N, and FR Y-4 by replacing references to E-Apps with FedEZFile, which is the Board's new web-based application that replaces E-Apps and is used by filers to submit notices and applications to the Federal Reserve System. In addition, the Board removed the reference to Reserve Banks with regard to the applicant obtaining a copy of the Board's Regulation Y in all three instructions. A link to Regulation Y on the Board's website is already provided in the instructions. The Board removed the sample public notice from the General Instructions of the FR Y-3 and FR Y-3N. This language is unnecessary, as the instructions also direct applicants to the public websites of the Board and the appropriate Reserve Bank, which contain the most up-to-date sample public notice. The Board updated the reference to the Board's Rules Regarding Availability of Information, which governs requests for confidential treatment, in the General Instructions of FR Y-3N. This revision will correct the previous reference of 12 CFR 261.15 to 261.17.

Revisions to the FR Y-3 Only

The Board made the following additional revisions to the FR Y-3.

References

1. Updated the reference to the Board's Rules Regarding Delegation of Authority with respect to Competitive Structural Criteria, from section 265.11c(11)(v)) to section 265.20(c)(12)(v)(A).
2. Added a reference to the Board's Supervision and Regulation (SR) Letter 20-20, which describes the Federal Reserve System's new process for obtaining fingerprints from individuals when required. Adding the reference would facilitate the completion of, and clarify how, fingerprinting is conducted.

Additional Required Items

1. For current and pro forma shareholders of the applicant, identify those individual shareholders who are a group acting in concert. This information would allow the Federal Reserve to identify groups of individuals who would have the ability to exercise control over the applicant.
2. Provide a list of shareholders of the applicant who would own 10 percent or more of the shares of the applicant and any company that would own 5 percent or more of the shares of the applicant on a pro forma basis. This information would allow the Federal Reserve to determine who is exercising control of the applicant as a principal shareholder and whether an investing company may be required to file an FR Y-3 application separately to become a BHC.
3. Provide a breakdown of the pro forma equity of the applicant by dollar amount, number of shares and class of stock, including voting and non-voting shares of the applicant. This information would allow the Federal Reserve to determine the quality of the capital of the applicant and to determine which type of stock is the dominant form of capital.
4. Identify any management official of the applicant who is also a management official at another depository institution, bank holding company, or savings and loan holding

- company. This question would allow the Federal Reserve to determine if any individual is subject to the management interlock requirements of the Board's Regulation L - Management Official Interlocks (12 CFR Part 212).
5. Provide a copy of the Applicant's integration plan to merge the operations of the combined organization. This question would allow the Federal Reserve to assess the future prospects (a statutory factor) of combined organization.

Deletion

1. With respect to the request for financial projections, remove language that requires an explanation of the assumptions used in the projections only if the projections deviate from historical performance. This change would allow the Federal Reserve to better assess the validity of financial projections under any circumstances and not just in the case of deviations from historical performance.

Public Availability of Data

With regard to applications filed using the FR Y-3, FR Y-3N, and FR Y-4, the Board publishes certain information regarding the parties to and structure of the associated transactions in its H.2 release and in the *Federal Register*. No data collected through the FR Y-3, FR Y-3N, or FR Y-4 is proactively made available to the public by the Board. The Board may release non-confidential information included in the FR Y-3, FR Y-3N, and FR Y-4 upon request, pursuant to the Freedom of Information Act (FOIA).

Legal Status

Section 3(a) of the BHC Act (12 U.S.C. § 1842(a)) requires Board approval for formations, acquisitions, and mergers of BHCs, and section 3(c) of the BHC Act (12 U.S.C. § 1842(c)) sets forth the factors that the Board must consider in approving such an application. Additionally, section 5(b) of the BHC Act authorizes the Board to issue regulations and orders to carry out the purposes of section 3 of the BHC Act, among other provisions (12 U.S.C. § 1844(b)). These sections of the BHC Act provide the legal authorization for the FR Y-3 and the FR Y-3N. Section 4(j) of the BHC Act requires BHCs to give prior written notice to the Board of any acquisition of a nonbank company or commencement of any nonbanking activities (12 U.S.C. § 1843(j)). This section of the BHC Act provides the legal authorization for the FR Y-4. The obligation to respond to the FR Y-3, FR Y-3N, and FR Y-4 is required to obtain a benefit.

To the extent a respondent submits commercial or financial information in connection with the FR Y-3, FR Y-3N, or FR Y-4, which is both customarily and actually treated as private by the respondent, the respondent may request confidential treatment pursuant to exemption 4 of the FOIA (5 U.S.C. § 552(b)(4)). To the extent a respondent submits personal, medical, or similar files, the disclosure of which would constitute an unwarranted invasion of privacy, the respondent may request confidential treatment pursuant to exemption 6 of the FOIA (5 U.S.C. § 552(b)(6)). To the extent a respondent submits information 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, the information would be confidential pursuant to exemption 8 of the FOIA (5 U.S.C. § 552(b)(8)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On April 30, 2024, the Board published an initial notice in the *Federal Register* (89 FR 34246) requesting public comment for 60 days on the extension, with revision, of the FR Y-3, FR Y-3N, and FR Y-4. The comment period for this notice expired on July 1, 2024. The Board did not receive any comments. The Board adopted the extension, with revision, of the FR Y-3, FR Y-3N, and FR Y-4 as originally proposed. On July 29, 2024, the Board published a final notice in the *Federal Register* (89 FR 60891).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-3, FR Y-3N, and FR Y-4 is 7,215 hours, and would increase to 7,603 hours with the revisions. The estimated number of respondents is based on the number of applications and notifications, including post-consummation notices, received between 2020 and 2022. The burden estimate was produced using the standard Board burden calculation methodology. These reporting and disclosure requirements represent less than 1 percent of total Board's total paperwork burden.

FR Y-3, FR Y-3N, and FR Y-4	<i>Estimated number of respondents¹²</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current Reporting				
FR Y-3				
New BHCs	65	1	50.05	3,253
Existing BHCs	55	1	62.15	3,418
FR Y-3N	18	1	4	72
FR Y-4				
Complete notification	24	1	11	264
Expedited notification	10	1	4.5	45
Post-consummation	1	1	0.53	1
Disclosure				
FR Y-3	120	1	1	120
FR Y-3N	18	1	1	18
FR Y-4 Complete notification	24	1	1	<u>24</u>
<i>Current Total</i>				7,215
Proposed Reporting				
FR Y-3				
New BHCs	65	1	52.53	3,414
Existing BHCs	55	1	66.28	3,645
FR Y-3N	18	1	4	72
FR Y-4				
Complete notification	24	1	11	264
Expedited notification	10	1	4.5	45
Post-consummation	1	1	0.53	1
Disclosure				
FR Y-3	120	1	1	120
FR Y-3N	18	1	1	18
FR Y-4 Complete notification	24	1	1	<u>24</u>
<i>Proposed Total</i>				7,603
<i>Change</i>				388

¹² Of these respondents, 136 (54 FR Y-3 New BHCs, 43 FR Y-3 Existing BHCs, 16 FR Y-3N, 17 FR Y-4 Complete notification; 6 FR Y-4 Expedited notification, and 0 FR Y-4 Post-consummation) are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <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 Y-3, FR Y-3N, and FR Y-4 is \$503,968, and would increase to \$531,070 with the revisions.¹³

Sensitive Questions

This information collection 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 the FR Y-3, FR Y-3N, and FR Y-4 is \$1,400 for one-time costs, and \$278,700 for ongoing costs.

¹³ Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at \$23, 45% Financial Managers at \$84, 15% Lawyers at \$85, and 10% Chief Executives at \$124). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2023*, published April 3, 2024, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.