



Banking Applications Activity Semiannual Report January 1–June 30, 2022

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This report provides information regarding the applications filed by banking organizations and reviewed by the Federal Reserve as of the most recent reporting period ending on June 30 and December 31 of each calendar year.

The Federal Reserve, in its role as a primary federal regulator, reviews applications submitted by bank holding companies (BHCs), state member banks (SMBs), savings and loan holding companies (SLHCs), foreign banking organizations, and other entities and individuals for approval to undertake various transactions, including mergers and acquisitions (M&A), and to engage in new activities.

The Federal Reserve reviews and acts on proposals filed under the Bank Holding Company Act (BHCA); the Bank Merger Act (BMA); the Change in Bank Control Act (CIBCA); the Federal Reserve Act (FRA); section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); section 10 of the Home Owners' Loan Act (HOLA); the International Banking Act; and other provisions of law.¹

Overview of Activity

The Federal Reserve reviewed 494 proposals in the first half of 2022, of which 455 were approved, 24 were withdrawn, 1 was denied, 11 were mooted, and 3 were returned as informationally incomplete (table 1).²

Total dispositions for the first half of 2022 were nearly the same in number as the first half of 2021. The composition of proposals was consistent with prior periods, with a majority being branch applications, M&A proposals, and CIBCA notices.

¹ For the purpose of this report, the term *proposal* is defined as one filing, which may have been submitted pursuant to multiple statutes. For example, an applicant BHC with a subsidiary SMB could file to acquire another BHC, merge the target's subsidiary bank with its own SMB, and establish branches at the location of the target bank's branches. Therefore, this one proposal would include filings under the BHCA, the BMA, and the FRA. Further information on banking applications and regulation is available on the Federal Reserve Board's website at <https://www.federalreserve.gov/supervisionreg.htm>.

² A filing is mooted if developments have led to a situation where the filing is no longer required or needed but remains pending until some event has transpired. A filing is returned when the Federal Reserve determines that the filing documentation remains deficient and cannot be processed as presented.

Table 1. Dispositions and processing times of proposals, 2018–21 and 2021:H1 and 2022:H1						
All proposals	2018	2019	2020	2021	2021:H1	2022:H1
Dispositions						
Approved	929	932	774	952	464	455
Withdrawn	43	49	41	32	20	24
Denied	0	0	0	0	0	1
Mooted	8	24	6	9	5	11
Returned	4	4	3	16	6	3
Total	984	1,009	824	1,009	495	494
<i>Percent withdrawn of total</i>	4.4%	4.9%	5.0%	3.4%	4.0%	4.9%
Processing time (days)						
Average	41	42	43	45	45	52
Median	30	35	30	37	36	37

Table 1 illustrates that the average number of days to approve a proposal was 52 days in the first half of 2022, compared with 45 days in the first half of 2021. This increase primarily related to the Board's concurrent consideration of several relatively large M&A proposals requiring Board action. However, the median processing time was nearly the same for the first half of 2022 at 37 days, as it was for the first half of 2021 at 36 days.

Applicants may choose to withdraw a proposal after the Federal Reserve informs the applicant that one or more significant supervisory or other issues exist that could preclude staff from recommending approval, given perceived deficiencies involving with one or more statutory factors.³ In particular, there may be deficiencies regarding financial or managerial considerations or the Community Reinvestment Act (CRA) or consumer compliance record of the applicant or target organizations. Applicants also may choose to withdraw proposals for a variety of other reasons, including a business decision to no longer proceed, a determination that another filing is more appropriate, or an inability to provide required information. Applicants are not required to and generally do not identify their reasons for withdrawing proposals.

In the first half of 2022, applicants withdrew 24 proposals, representing 4.9 percent of the total dispositions over that period. Of these, 6 proposals raised significant issues relevant to statutory factors, such as financial, managerial, and competitive considerations. The remaining 18 withdrawn proposals presented issues unrelated to the supervisory considerations or substantive

³ Supervision and Regulation Letter SR 14-2/CA 14-1. "Enhancing Transparency in the Federal Reserve's Applications Process" provides the general public with a better understanding of the Federal Reserve's general approach to proposals that may not satisfy statutory requirements for approval or otherwise raise supervisory or regulatory concerns. This guidance applies to all financial institutions supervised by the Federal Reserve, including those with \$10 billion or less in consolidated assets, and is available on the Board's website at [The Fed - Supervisory Letter SR 14-2/CA 14-1 on Enhancing Transparency in the Federal Reserve's Applications Process - February 24, 2014](#).

legal issues, and over half were withdrawn because the applicant needed to revise the application to address various technical deficiencies.

Mergers and Acquisitions

The Federal Reserve increased total approved proposals from 81 for the first half of 2021 to 87 for the first half of 2022 (table 2).⁴ However, average processing time increased from 67 to 81 when comparing the same timeframes. This increase in average processing times was primarily from the Board's concurrent consideration of several relatively large M&A proposals requiring Board action. Approved M&A proposals accounted for 19.1 percent of total approved proposals in the first half of 2022, which is generally in line with percentages in prior years. M&A proposals generally are more complex than other proposals because they typically require review of several organizations under multiple statutory factors. Examples of activities that can cause delays in processing include consideration of significant policy or supervisory issues that affect relevant statutory factors, completion of background checks on shareholders or policy makers, or consideration of adverse public comments. As table 2 illustrates, the average and median number of days to approve an M&A proposal in the first half of 2022 were 81 and 48 days, respectively. In comparison, the average and median number of days to approve all proposals in the same period were 52 and 37 days, respectively (see table 1).

Table 2. Merger and acquisition proposals, dispositions and processing times of approved proposals, 2018–21 and 2021:H1 and 2022:H1

Mergers and acquisitions	2018	2019	2020	2021	2021:H1	2022:H1
Dispositions						
Approved	190	190	144	184	81	87
Withdrawn	10	16	14	6	4	4
<i>Percent M&A of total approved proposals</i>	<i>20.5%</i>	<i>20.4%</i>	<i>18.6%</i>	<i>19.3%</i>	<i>17.5%</i>	<i>19.1%</i>
Processing time (days)						
Average	57	60	69	65	67	81
Median	42	43	45	45	43	48

In reviewing M&A proposals, the Federal Reserve is required to consider various factors as part of the approval process, including

- the applicant's current and pro forma financial condition and future prospects;
- managerial resources (including management's record of compliance with applicable laws and regulations, such as those related to consumer protection and anti-money-laundering);

⁴ M&A proposals include proposals filed by BHCs, SLHCs, or SMBs that seek approval to acquire an ownership interest in or to merge with another banking organization, as well as BHC and SLHC formations.

- the convenience and needs of the communities to be served (including the institutions' record of performance under the CRA, their overall compliance records, results of recent fair lending exams, and public benefits resulting from the proposal); and
- the effects of the proposal on competition and the financial stability of the United States.

As part of this review, the Federal Reserve also considers the structure and ownership of the resulting banking organization and any policy issues presented by the proposals.

The Federal Reserve may receive public comments on a proposal.⁵ In instances in which one or more adverse public comments are received that are considered substantive,⁶ additional time typically is needed to provide the applicant the opportunity to respond to the comments and for the Federal Reserve to evaluate the comments and the applicant's response. Although comments may concern any of the statutory factors that the Federal Reserve must consider in connection with a proposal, most adverse public comments received by the Federal Reserve raise concerns regarding the convenience and needs statutory factor, including the applicant's CRA and fair lending record. In almost all cases, proposals that receive a substantive and timely adverse public comment are required to be acted on by the Board.⁷ Applicants are encouraged to respond to any substantive adverse comments received.

Table 3 compares processing times for M&A proposals that did receive public comments and those that did not. Protested proposals during 2022 H1 increased to 14.5 percent of total filings received, which was a significant increase over prior reporting periods. For the first half of 2022, the 11 M&A proposals that received adverse public comments were approved on average in 197 days versus an average of 65 days for M&A proposals that did not receive public comments.

⁵ Applicants are generally required to publish notice of proposals that are subject to public comment in newspapers serving certain communities in which the applicant or target has operations. In addition, the Federal Reserve publishes notice in the *Federal Register* for certain types of proposals and also posts the weekly H.2A on the Board's website, which lists all proposals that have been or will be filed with the Federal Reserve that are subject to public comment. See <https://www.federalreserve.gov/apps/h2a/h2aindex.aspx>. These notices inform the public of the opportunity to submit written comments on the proposal.

⁶ Section 225.16 of the Board of Governors of the Federal Reserve System's (Board) Regulation Y provides that a comment will be considered substantive "unless it involves individual complaints, or raises frivolous, previously considered, or wholly unsubstantiated claims or irrelevant issues." Supervision and Regulation Letter 9710, "Guidance on Protested Proposals," provides additional guidance regarding certain types of comments that the Federal Reserve does not consider substantive. See [FRB: Supervisory Letter SR 97-10 \(APP\) on guidance on protested proposals – April 24, 1997 \(federalreserve.gov\)](#).

⁷ Provided the proposals meet the statutory factors for approval, the Federal Reserve Banks can approve under delegated authority proposals that do not receive substantive adverse public comments; do not raise significant legal, policy, or supervisory issues; or otherwise are not required to be acted upon by the Board.

Table 3. Merger and acquisition approved proposals, volume and processing times by proposals that did not receive adverse public comments and those that received adverse public comments, 2018–21 and 2021:H1 and 2022:H1

Mergers and acquisitions	2018	2019	2020	2021	2021:H1	2022:H1
Proposals not receiving adverse public comments						
Approved	178	181	140	178	79	76
<i>Processing time (days)</i>						
Average	53	56	64	62	66	65
Median	41	43	45	45	45	47
Proposals receiving adverse public comments						
Approved	12	9	4	6	2	11
Percent M&A receiving adverse public comments of total M&A proposals	6.7%	5.0%	2.9%	3.4%	2.5%	14.5%
<i>Processing time (days)</i>						
Average	113	143	232	186	106	197
Median	112	123	193	167	106	170

Pre-filing Process

The Federal Reserve has established a pre-filing process through which applicants may receive information about filing requirements, timing, and applicable forms associated with a proposal.⁸ This process also helps to identify information that may be needed in connection with policy issues that the Federal Reserve typically considers with a particular type of filing, such as supervisory and statutory compliance issues, competition, or financial stability. While use of the pre-filing process can reduce delays in processing a subsequent application, it does not resolve or predetermine the outcome of any substantive issue.

The Federal Reserve reviewed 25 pre-filing proposals in the first half of 2022, compared to 14 the first half of 2021. Most pre-filings concerned bank holding company mergers and acquisitions proposals, CIBCA notices, and mutual savings and loan holding company dividend waivers. Not all pre-filings result in a final filing.

Consumer Compliance and CRA

In evaluating M&A proposals, the Federal Reserve reviews the consumer compliance (including fair lending) and CRA records of the acquiring and target organizations as part of its assessment of the managerial and convenience and needs statutory factors. An organization's strong consumer

⁸ The pre-filing process is described in the Federal Reserve's Supervision and Regulation Letter SR12-12/CA12-11, "Implementation of a New Process for Requesting Guidance from the Federal Reserve Regarding Bank and Nonbank Acquisitions and Other Proposals," available at <https://www.federalreserve.gov/supervisionreg/srletters/sr1212.htm>.

compliance, fair lending, and CRA records can facilitate timely review of a proposal. Unaddressed consumer compliance, fair lending, or CRA weaknesses in an organization may result in longer processing times and may pose barriers to approval. With respect to M&A proposals, an applicant should ensure that its consumer compliance program, policies, and procedures are adequate to ensure successful integration of the target and that the combined organization would maintain satisfactory consumer compliance and CRA programs following consummation.

Community Banking Organizations

Table 4 provides the volume and processing times of the proposal types most commonly submitted by small and large community banking organizations (CBOs). *Small CBOs* are organizations with under \$1 billion in assets, and *large CBOs* are organizations with \$1 billion to \$10 billion in assets. For the first half of 2022, average processing times for M&A proposals were 64 days for small CBOs and 90 days for large CBOs, compared to the average of 81 days for all M&A proposals (see table 2). The volume of approved proposals for large CBOs in the first half of 2022 was higher than the first half of 2021, mostly due to increases in FIRREA and M&A proposals. The overall volume of approved CBO filings in the first half of 2022 decreased when compared to the first half of 2021, primarily from decreases in CIBCA and FIRREA proposals pertaining to small CBOs, which more than offset an increase in Large CBO filings.

Table 4. Proposals from CBOs, volume and processing times (days) of approved proposals, for the full year 2021, 2021:H1 and 2022:H1									
Proposals by applicant asset size	2021			2021:H1			2022:H1		
	Approved	Average (days)	Median (days)	Approved	Average (days)	Median (days)	Approved	Average (days)	Median (days)
Under \$1 billion									
Change in control	156	61	57	79	59	57	60	68	57
Federal Reserve membership	13	25	13	7	35	7	3	26	20
FIRREA	47	12	6	31	13	6	18	13	6
Mergers and acquisitions	117	63	45	56	68	45	49	64	44
Branch establishment	45	23	21	28	23	21	28	21	21
Total	378			201			158		
\$1 billion–\$10 billion									
Change in control	23	66	57	9	59	57	14	69	56
Federal Reserve membership	2	11	11	1	7	7	2	21	21
FIRREA	5	8	2	1	16	16	7	1	1
Mergers and acquisitions	49	51	45	20	50	45	31	90	60
Branch establishment	63	25	26	33	26	27	34	43	21
Total	142			64			88		

Current Initiatives to Enhance Applications Processing

The Federal Reserve is pursuing initiatives broadly related to improving the applications process. The Board is currently evaluating how the Federal Reserve performs merger analysis to determine future areas of improvement.⁹

For further reference, please consult the following:

[The Fed - Semiannual Reports on Banking Applications Activity \(federalreserve.gov\)](https://www.federalreserve.gov)

⁹ Michael S. Barr, “Making the Financial System Safer and Fairer” (speech at the Brookings Institution, Washington, D.C., September 7, 2022), <https://www.federalreserve.gov/newsevents/speech/barr20220907a.htm>.