



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

**SR 15-8**

**June 25, 2015**

**TO THE OFFICER IN CHARGE OF SUPERVISION  
AT EACH FEDERAL RESERVE BANK**

**SUBJECT: Name Check Process for Domestic and International Applications**

**Applicability:** This guidance applies to all financial institutions supervised by the Federal Reserve, including those with \$10 billion or less in consolidated assets.

## **Introduction**

As part of the Federal Reserve's responsibilities as the primary federal banking regulator for bank holding companies, savings and loan holding companies, and state-chartered banks that are members of the Federal Reserve System (referred to as "supervised financial institutions"<sup>1</sup>), the Federal Reserve reviews applications and notices (collectively, "applications") that may include changes to the ownership and/or the composition of the board of directors or executive management of a supervised financial institution. For many of these applications, the Federal Reserve's review includes an assessment of whether certain proposed shareholders and policymakers have the competence, experience, integrity, character, and financial resources to effectively lead a supervised financial institution in a safe-and-sound manner.<sup>2</sup>

Under certain circumstances, the Federal Reserve also requests from other regulatory and investigative agencies background information about an individual or company involved in a proposal; this is commonly referred to as the "name check" process.<sup>3</sup> This letter describes the Federal Reserve's general name check process and the changes that are being implemented to

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<sup>1</sup> Supervised financial institutions also include Edge act corporations and U.S. branches and agencies of foreign banking organizations.

<sup>2</sup> Various federal statutes require the Federal Reserve, in certain circumstances, to assess the competence, experience, integrity, and financial resources of individuals or companies proposing to become principal shareholders or policymakers of a supervised financial institution. *See* for example, 12 U.S.C. 1817(j) (changes in control of insured depository institutions); 12 U.S.C. 1831i (agency disapproval of directors and senior executive officers of insured depository institutions or depository institution holding companies); 12 U.S.C. 1842 (acquisitions of shares of banks or bank holding companies); and 12 U.S.C. 1467a (acquisition of shares of savings associations or savings and loan holding companies). In such situations, a fully completed Interagency Biographical and Financial Report (Form FR 2081c) must be provided.

<sup>3</sup> For example, the Federal Reserve assesses information about the financial, employment, and criminal history of the individual or company subject to the name check.

streamline and simplify the process and, thereby, help to reduce the burden associated with the application process overall, particularly for community banking organizations.<sup>4</sup>

### **Previous Name Check Process**

Under the previous process, name checks generally were conducted on all proposed officers and directors and/or new principal shareholders of a supervised financial institution involved in an application under consideration by the Federal Reserve.<sup>5</sup> Exceptions were made for individuals considered “known to banking”<sup>6</sup> and proposed outside directors with limited or no ownership interests (that is, less than five percent) in the supervised financial institution. Where the specific facts and circumstances warrant, name checks were conducted on an entire board or ownership group. For example, in proposals which involved numerous organizers (each with limited or no ownership in the relevant supervised financial institution) and no clear top policymakers, name checks generally were conducted for the entire group of organizers.

### **New Name Check Process**

The Federal Reserve is implementing several changes to the name check process. The Federal Reserve generally will conduct name checks only on an individual that, upon consummation of an application, will become a principal shareholder or one of the top two policymakers of the supervised financial institution.<sup>7</sup> In addition, the Federal Reserve will no longer take into consideration whether an individual is “known to banking” when determining whether a name check must be conducted. Rather, unless the facts and circumstances suggest otherwise, a completed name check will remain current for a period of five years, and individuals and companies with current name checks will generally not be rechecked, unless circumstances indicate to the Reserve Bank or Board staff that a name check is appropriate.<sup>8</sup>

In addition to the above changes, the Federal Reserve will obtain credit bureau reports in certain limited situations to supplement and corroborate financial information provided in application filings or from other sources. The use of such “credit checks” will align our practice with that of other federal banking agencies. These credit checks will be conducted on an ad hoc basis when the facts and circumstance indicate that the information provided in the credit report

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<sup>4</sup> Refer to SR letter 03-10, “Enhancements to the Name Check Process Related to Applications Reviewed by the Federal Reserve,” for guidance related to the finger printing process associated with name checks.

<sup>5</sup> The term “principal shareholder” is defined for banking organizations in Regulation Y (12 CFR 225.2(n)(2)) and for thrift organizations in Regulation LL (12 CFR 238.2(n)(2)) and means a shareholder that owns or controls 10 percent or more of a class of voting securities of a supervised financial institution. “Acquisition of control” is described in the Change in Bank Control Act and Regulation Y (12 CFR 225.41).

<sup>6</sup> Generally, an individual was considered “known to banking” if he or she had five years of relevant banking or thrift experience.

<sup>7</sup> Where the proposed principal shareholder is a company, name checks generally will be conducted on the top two policymakers of the company. In the case of a group acting in concert, name checks generally would be initiated on all individual group members with five percent or greater individual ownership interests.

<sup>8</sup> The Federal Reserve will continue to evaluate the specific facts and circumstances surrounding a given application to determine the appropriateness of initiating name checks in situations other than those set forth in this letter. Further, name checks will continue to be required with respect to all notifications submitted pursuant to Regulation Y (12 CFR 225.72), unless the individual is considered exempt as a result of a recently completed name check, and no information exists indicating that a new name check should be initiated.

could be helpful to the Federal Reserve in its comprehensive assessment of individuals under review.

Questions with respect to policy matters discussed in this letter should be directed to the following staff in the Board's Domestic/International Banking Acquisition and Activities section: Susan Motyka, Manager, at (202) 452-5280; or Patrick Grant, Senior Supervisory Financial Analyst, at (202) 452-5214. Questions concerning the general process for conducting name checks can be directed to Susan Motyka; Patrick Grant; Katie Cox, Manager, at (202) 452-2721; or Betsy Howes-Bean, Manager, at (202) 452-3096. In addition, institutions may send questions via the Board's public website.<sup>9</sup>

Michael S. Gibson  
Director

**Cross References to:**

- SR letter 03-10, "Enhancements to the Name Check Process Related to Applications Reviewed by the Federal Reserve"

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<sup>9</sup> See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.