

**Supporting Statement for the  
Recordkeeping Guidance Associated with Changes in Foreign Investments  
Made Pursuant to Regulation K  
(FR 2064; OMB No. 7100-0109)**

**Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Recordkeeping Guidance Associated with Changes in Foreign Investments Made Pursuant to Regulation K (FR 2064; OMB No. 7100-0109).<sup>1</sup> This collection concerns internal records that internationally active U.S. banking organizations (such as internationally active member banks, Edge Act and agreement corporations, and bank holding companies) should maintain to demonstrate compliance with the investment provisions contained in Subpart A of Regulation K – International Banking Operations (12 CFR Part 211).<sup>2</sup>

The estimated total annual burden for the FR 2064 is 160 hours.

**Background and Justification**

U.S. banking organizations may make investments abroad pursuant to Subpart A of Regulation K.<sup>3</sup> In February 2002, the Board’s Division of Supervision and Regulation issued SR Letter 02-2. Among other things, this SR Letter states that internationally active U.S. banking organizations should maintain adequate internal records regarding their investments abroad. These records are reviewed by examiners during examinations, allowing the examiners to determine a banking organization’s compliance with the Federal Reserve Act and Subpart A of Regulation K. Monitoring banking organizations’ international investments also permits the Federal Reserve to ensure that banking organizations do not expose themselves to undue risk.

Although internationally active U.S. banking organizations must report changes to their organizational structure in the Report of Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297) and internationally active U.S. bank holding companies must provide

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<sup>1</sup> FR 2064 has in the past been described as a mandatory information collection. See, e.g., SR Letter 02-2 (describing the recordkeeping expectations under FR 2064 as “a requirement”). However, the Board issued the Statement Clarifying the Role of Supervisory Guidance in 2021, which explains that “supervisory guidance does not have the force of law” and outlines steps the Board would take to clarify the differences between expectations set by guidance and legally binding requirements. 12 CFR Part 262, appendix A. Because the recordkeeping expectations of FR 2064 are imposed by SR Letter 02-2 and are not mandated by statute or Board regulation, FR 2064 is considered a voluntary information collection. Accordingly, the title of the FR 2064 has been amended so as to describe the relevant recordkeeping practices as guidance rather than requirements. There is no formal reporting form for this collection of information (the FR 2064 designation is for internal purposes only).

<sup>2</sup> See SR Letter 02-2 published February 7, 2002, <https://www.federalreserve.gov/boarddocs/srletters/2002/sr0202.htm>.

<sup>3</sup> The Board has granted its general consent to U.S. banking organizations to make foreign investments without prior notice to the Board if the investment meets certain criteria. The criteria relate to the dollar amount of the investment, whether the investment is in a subsidiary or a joint venture, or is a portfolio investment, and whether the investor is a bank holding company, a member bank, or an Edge Act or agreement corporation that is well capitalized and well managed. See 12 CFR 211.9.

organizational information in the Annual Report of Holding Companies (FR Y-6; OMB No. 7100-0297), the investment information described in SR Letter 02-2 is much more detailed and is not available from other sources. The FR 2064 information collection under SR Letter 02-2 is voluntary.

### **Description of Information Collection**

Internationally active U.S. banking organizations are expected to maintain adequate internal records to allow examiners to review compliance with the investment provisions of Regulation K. For each investment made under Subpart A of Regulation K, a banking organization investor should maintain internal records regarding the type of investment, for example: equity (e.g., voting shares, nonvoting shares, partnerships, interests conferring ownership rights, participating loans), binding commitments, capital contributions, and subordinated debt; the amount of the investment; the percentage ownership; activities conducted by the company and the legal authority for such activities; and whether the investment was made under general consent, prior notice, or specific consent authority. With respect to investments made under general consent authority, information also should be maintained that demonstrates compliance with the various limits set out in section 211.9 of Regulation K.

The International Applications and Prior Notifications under Subparts A and C of Regulation K (FR K-1; OMB No. 7100-0107) also contain recordkeeping requirements for Subpart A of Regulation K, specifically section 211.13. The FR K-1 requirements differ from FR 2064 in that FR K-1 records operational aspects of activities abroad, such as having effective systems of internal controls, risk management, liquidity management, and internal and external audit, for supervision and reporting purposes. FR 2064, on the other hand, relates only to investments and activities abroad.

### **Respondent Panel**

The FR 2064 panel comprises U.S. banking organizations (member banks, Edge Act and agreement corporations, and bank holding companies) that have made a foreign investment.

### **Frequency and Time Schedule**

The recordkeeping provisions in SR Letter 02-2 are ongoing. This recordkeeping information maintained by the banking organization must be made available to the Federal Reserve, upon request, during the course of on-site examinations and pursuant to other supervisory requests. The Board does not require that such information be maintained in a specific format.

Records kept pursuant to the FR 2064 should be retained for the duration of the foreign investment in question. This retention period is necessary in order to assess compliance with Regulation K and related statutes. For example, information regarding previous investments that a banking organization has made in a foreign company is necessary to assess whether the banking organization may make further investments in that company pursuant to the general consent authority in section 211.9 of Regulation K (12 CFR 211.9).

## **Public Availability of Data**

There are no data related to this information collection available to the public.

## **Legal Status**

The FR 2064 is authorized pursuant to section 5(c) of the Bank Holding Company Act<sup>4</sup> and sections 25(7) and 25A(17) of the Federal Reserve Act.<sup>5</sup>

The records related to the FR 2064 are retained at banking organizations. However, in the event the records are obtained by the Board as part of an examination or supervision of a financial institution, this information would be considered confidential pursuant to exemption 8 of the Freedom of Information Act (FOIA), which protects information contained in “examination, operating, or condition reports” obtained in the bank supervisory process.<sup>6</sup> Additionally, to the extent that such information obtained by the Board constitutes nonpublic commercial or financial information, which is both customarily and actually treated as private by the financial institution, the financial institution may request confidential treatment pursuant to exemption 4 of FOIA.<sup>7</sup>

## **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

## **Public Comments**

On March 29, 2024, the Board published an initial notice in the *Federal Register* (89 FR 22147) requesting public comment for 60 days on the extension, without revision, of the FR 2064. The comment period for this notice expires on May 28, 2024.

## **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR 2064 is 160 hours. The number of respondents is estimated based on the average number of entities recording changes in foreign investments related to the FR 2064 in the past 5 years. The Board estimates that the effort associated with the recordkeeping requirements will take an average of two hours per quarter. These recordkeeping requirements represent less than 1 percent of the Board’s total paperwork burden.

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<sup>4</sup> 12 U.S.C. § 1844(c).

<sup>5</sup> 12 U.S.C. §§ 602 and 625.

<sup>6</sup> 5 U.S.C. § 552(b)(8).

<sup>7</sup> 5 U.S.C. § 552(b)(4).

<b>FR 2064</b>	<i>Estimated number of respondents<sup>8</sup></i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2064	20	4	2	160

The estimated total annual cost to the public for the FR 2064 is \$10,600.<sup>9</sup>

### **Sensitive Questions**

There are no questions of a sensitive nature in this report, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

Because the Federal Reserve does not collect these records, the estimated cost to the Federal Reserve System for collecting and processing this information collection is negligible.

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<sup>8</sup> Of these respondents to this information collection, none 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>.

<sup>9</sup> 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 \$22, 45% Financial Managers at \$80, 15% Lawyers at \$79, and 10% Chief Executives at \$118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2022, published April 25, 2023 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.