

FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: **Background**

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act, as per 5 CFR 1320.16, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in 5 CFR 1320 Appendix A.1. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the OMB 83-Is and supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

Request for comment on information collection proposals

The following information collections, which are being handled under this delegated authority, have received initial Board approval and are hereby published for comment. At the end of the comment period, the proposed information collections, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected; and
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology.

DATES: Comments must be submitted on or before November 13, 2006.

ADDRESSES: You may submit comments, identified by structure proposal or an individual reporting form number (FR Y-10, FR Y-10F, FR Y-10S, FR 2058, FR Y-6, or FR Y-7), by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for

submitting comments.

- E-mail: regs.comments@federalreserve.gov. Include docket number in the subject line of the message.
- FAX: 202-452-3819 or 202-452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board's web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, N.W.) between 9:00 a.m. and 5:00 p.m. on weekdays.

FOR FURTHER INFORMATION CONTACT: A copy of the proposed form and instructions, the Paperwork Reduction Act Submission (OMB 83-I), supporting statement, and other documents that will be placed into OMB's public docket files once approved may be requested from the agency clearance officer, whose name appears below.

Michelle Long, Federal Reserve Board Clearance Officer (202-452-3829), Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Telecommunications Device for the Deaf (TDD) users may contact (202-263-4869), Board of Governors of the Federal Reserve System, Washington, DC 20551.

Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following reports:

Report titles: Report of Changes in Organizational Structure, Report of Changes in FBO Organizational Structure, Supplement to the Report of Changes in Organizational Structure, Notification of Foreign Branch Status, Annual Report of Bank Holding Companies, and Annual Report of Foreign Banking Organizations.

Agency form numbers: FR Y-10 (formerly FR Y-10, FR Y-10F, FR Y-10S, and FR 2058), FR Y-10E, FR Y-6, and FR Y-7

OMB control numbers: 7100-0297, 7100-0069, 7100-0124, and 7100-0125

Frequency: Event-generated, annual

Reporters: Bank holding companies (BHCs), foreign banking organizations (FBOs), member banks, Edge and agreement corporations

Annual reporting hours: FR Y-10, 16,608 hours; FR Y-10E, 1,384 hours; FR Y-6, 27,069 hours; FR Y-7, 900 hours

Estimated average hours per response: FR Y-10, 1.00 hour; FR Y-10E, 0.50 hours; FR Y-6, 5.25 hours; FR Y-7, 3.50 hours

Number of respondents: FR Y-10 and FR Y-10E, 2,768; FR Y-6, 5,156; FR Y-7, 257

General description of report: These information collections are mandatory under the Federal Reserve Act, the BHC Act, and the International Banking Act (12 U.S.C. 248 (a)(1), 321, 601, 602, 611a, 615, 1843(k), 1844(c), 3106, and 3108(a)) and Regulations K and Y (12 CFR 211.13(c), 225.5(b), and 225.87). Individual respondent data are not considered confidential; however, respondents may request confidential treatment pursuant to Sections (b)(4) and (b)(6) of the Freedom of Information Act (5 U.S.C. 552(b)(4) and (b)(6)).

Abstract: The FR Y-10 is an event-generated information collection submitted by top-tier domestic BHCs, including financial holding companies (FHCs), and state member banks unaffiliated with a BHC, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in banking and nonbanking activities.

The FR Y-10F is an event-generated information collection submitted by FBOs, including FHCs, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to ensure compliance with U.S. banking laws and regulations and to determine the risk profile of the FBO.

The FR Y-10S is a supplement to the FR Y-10. The Federal Reserve uses the data to assess the effectiveness of banking organizations' compliance with the Sarbanes-Oxley Act of 2002 and enhance the Federal Reserve's ability to evaluate regulatory data by reconciling it accurately with market data reported to shareholders.

The FR 2058 is an event-generated information collection submitted by member banks, BHCs, and Edge and agreement corporations to notify the Federal Reserve of the opening, closing, or relocation of a foreign branch. The Federal Reserve needs the information to fulfill its statutory obligation to supervise foreign branches of U.S. banking organizations.

The FR Y-6 is an annual information collection submitted by top-tier BHCs and nonqualifying FBOs. It collects financial data, an organization chart, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the Bank Holding Company Act (BHC Act) and Regulation Y (12 CFR 225).

The FR Y-7 is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws and regulations.

Current actions:

A copy of the draft reporting forms will be made available, within seven days after publication of this notice, on the Federal Reserve Board's public Web site at: <http://www.federalreserve.gov/boarddocs/reportforms/review.cfm> under "Information Collections Out for Public Comment."

Revisions Effective December 31, 2006

SEC Reporting Status (FR Y-10S Schedule A) and Committee on Uniform Security Identification Procedures (CUSIP) Number (FR Y-10S Schedule B)

The Federal Reserve proposes to revise Schedule A of the FR Y-10S (1) to require data as of December 31, 2006, for reportable entities established in 2006 and reportable entities that have experienced a change since December 31, 2005, and (2) to modify the option for suspension to include termination of reporting requirements. Also, instructional changes to both Schedule A and B would be made to address questions from respondents that arose during the first data collection. In particular, the instructions would be clarified with respect to CUSIP data for, acquired entities, and the largest nonbank subsidiary and the elimination of the reference to CUSIP data for Canadian Companies.

FR Y-6 and FR Y-7 Certification

The Federal Reserve proposes to revise the certification to require the authorized official to attest that the data have been prepared in conformance with the instructions and the data are true and correct to the best of the authorized official's knowledge and belief. This proposed change is similar to recent changes to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128).

FR Y-6 and FR Y-7 Public Web Address

The Federal Reserve proposes to add to the cover page a requirement for BHCs and FBOs to provide their public web addresses. This contact information would be useful to the public and to the Federal Reserve. The Federal Reserve finds it helpful to review the web sites to verify certain data submitted by BHCs and FBOs (such as annual reports to shareholders, officer and director information, subsidiary information, branch information, and press releases). For FBOs and smaller BHCs, it is difficult to find the web addresses through Internet search engines due to institutions with similar names. Web addresses are collected on the FR Y-9C from BHCs, but the addresses reported are specific to the pages that display risk disclosures. Because of the limited purpose, only about forty BHCs currently submit this information on the FR Y-9C.

FR Y-6 Organization Chart

The Federal Reserve proposes to add to Report Item 2: Organization Chart an annual requirement for institutions to verify a list of domestic branches that the Federal Reserve has on

file for the institution. The list of domestic branches would include those of depository institutions and Edge and agreement corporations held directly or indirectly by the respondent. The Federal Reserve would provide the branch data to the institution and the institution would be required to annotate the data in the format provided. The Federal Reserve plans to develop an automated tool for institutions to verify and update their domestic branch data and specifically requests comment on whether this tool would be useful to respondents.

Revisions Effective June 30, 2007

Combining the FR Y-10, FR Y-10F, FR Y-10S, and FR 2058 Reporting Forms

The Federal Reserve proposes to combine the four existing reporting forms into one to streamline the data submission process. All report titles, form numbers, and OMB control numbers would be combined as the Report of Changes in Organizational Structure, FR Y-10, OMB No. 7100-0297. In combining the reporting forms and instructions, the Federal Reserve intends to retain all data items not specifically mentioned in this notice. All data items would be collected on an event-generated basis, including data previously submitted annually on Schedule A of the FR Y-10S. The substantive proposed changes to the data submitted are described in detail below. Also, minor clarifications would be made to certain data items to address recurring questions from respondents. The Federal Reserve would request institutions to provide data on the FR Y-10 for any changes not previously reported, occurring between January 1, 2007 and June 30, 2007, by July 30, 2007. Any event-generated transaction that occurs after June 30, 2007, would be submitted on the combined FR Y-10 within 30 days.

Proposed FR Y-10 Banking and Nonbanking Schedules

Consolidation Question (current data item 8). The Federal Reserve proposes to delete the question regarding whether the company is consolidated in the respondent's financial statements.

100% Owned Entities (proposed data item 11.a). On the Nonbanking Schedule only, the Federal Reserve proposes to add a box to collect data for wholly-owned entities. The current data item (9.a on the FR Y-10F and 10.a on the FR Y-10) requires these entities to be identified as 80 percent or more owned. The Federal Reserve is unable to determine whether a particular subsidiary is wholly-owned, which has implications for the supervisory process

Proposed FR Y-10 Domestic Branch Schedule

The Federal Reserve proposes to add a schedule for data on domestic branches and offices of depository institutions held directly or indirectly and domestic branches of Edge and agreement corporations. Top-tier BHCs, state member banks that are not controlled by a BHC, and Edge and agreement corporations would be required to submit this information. Data would not be submitted by national and nonmember banks that are unaffiliated with a BHC.

The Federal Reserve proposes to collect branch data on an event-generated basis, parallel to the other schedules on the FR Y-10, within thirty calendar days. As noted above, BHCs

would verify a list of domestic branches for each depository institution within their organization in the FR Y-6 report, beginning in December 2006. The Federal Reserve would request BHCs to provide data on the FR Y-10 for any branch openings, acquisitions, sales, closings or relocations, or changes to service type or popular name, occurring between January 1, 2007 and June 30, 2007, by July 30, 2007. Thereafter, institutions would be required to report events within 30 days; however, they would be permitted to combine multiple transactions into a single monthly filing.

Collecting domestic branch data on an event-generated basis would ensure that the Federal Reserve will be using data that accurately reflect current market conditions. In the analysis of proposed mergers, or when performing Community Reinvestment Act examinations, the Federal Reserve will be able to assess banking presence in the relevant markets. Currently, such analysis is not possible.

Data would be submitted for the following branches and offices:

1. Full service (brick & mortar, retail) – traditional offices.
2. Electronic Banking – offices where Internet and other similar deposits are booked.
3. Limited service (military, drive-through, mobile or seasonal, and retail) - limited, but often take or include deposits.
4. Loan production and consumer credit - limited, normally nondeposit, but extend credit.
5. Trust - limited and nondeposit.
6. Administrative (administrative, contractual, messenger) - all other limited and nondeposit.

Competitive analysis is required by the BHC Act (sections 3(c) (1) and (2)) and the Bank Merger Act (section 18(c)). The purpose of collecting data in these six categories is to gain accurate information regarding the degree of each institution's market presence in local markets. Categories 1 and 3 are branches that take deposits and directly serve the area where they are located. Categories 2 and 5 are also deposit-taking branches but their deposits are likely to have originated from consumers in locations other than where the branch is located, implying that branch presence in the market may not indicate service in that market. The inclusion of a separate category for loan production and consumer credit offices is intended to capture retail bank activity, which may be substantial, in markets where the institution has no deposit-taking branches. The last category captures those locations not elsewhere classified. The proposal to classify all branches into six categories is based upon the current collection of branch data in the Federal Deposit Insurance Corporation's (FDIC's) Summary of Deposits (SOD) Report (OMB No. 3064-0061). Each of the current SOD classifications can be mapped directly into one of the proposed categories. This should reduce burden on respondents. The Federal Reserve requests specific comment on whether these categories are the best way to break out service level types.

Branch data are essential for carrying out the Federal Reserve's statutory responsibility to analyze the competitive effects of proposed bank mergers and acquisitions. In many bank merger applications, applicants have argued that the competitive analysis should take into account the precise activities at a given branch. This includes cases where they have argued for the exclusion of deposits or branches on the grounds that the deposits are non-local in origin.

Similarly, applicants have argued that other firms are competitors by virtue of the presence of loan production offices. The lack of data in these cases has hindered analysis.

The Federal Reserve System relies heavily on domestic branch data for economic and market research as well as policy. Many research projects that use branch data are designed to enhance the Federal Reserve's understanding of the relationship between banking market structure (as measured by the number of firms operating in a market, market concentration, entry, and exit), firm behavior (prices and service quality), and performance (profitability). Branch data have been used for a variety of additional market studies, including several pertaining to lending patterns of banks. For the Survey of Small Business Finances (FR 3044; OMB No. 7100-0262), branch data are critical in determining distances between firms and their banks and for creating Herfindahl indexes (which measure industry concentration). Accurate address information is increasingly important as the technology for geocoding data improves.

A recent example of using branch data for research and policy work was in evaluating the impact of Hurricane Katrina on the banking system immediately after the disaster. The Federal Reserve also provided geocoded maps of branches in the affected areas to the Red Cross. Although Hurricane Katrina happened in August 2005, the most current universe of branch data available for analysis was as of June 2004. Better branch data would have enabled economists to incorporate branch structure changes between June 2004 and August 2005 into their analysis and policy decisions.

The Federal Reserve's Home Mortgage Disclosure Act (HMDA) system uses branch information to determine the reporting panel. In addition, HMDA (OMB No. 7100-0147) and CRA (OMB No. 7100-0197) data are geocoded and numerous studies and reports regarding fair lending practices are based on the HMDA files that include branch data.

This proposal would replace most of the current process for gathering domestic branch structure data, which is inadequate. Branch data for domestic state member banks are communicated to the Federal Reserve primarily through the application process. Information for all other domestic bank branches (branches of national and nonmember banks) is obtained by searching FDIC and Office of the Comptroller of the Currency bulletins. The Federal Reserve needs a formal information collection to ensure that these data are consistent, complete, and updated on the same frequency.

Collecting branch data for the institutions associated with top-tier BHCs, state member banks unaffiliated with a BHC, and Edge and agreement corporations would cover 95 percent of the banking branches and 82 percent of banking and thrift branches.

Creating the FR Y-10E Supplement

The Federal Reserve also proposes to create a free-form supplement that would be used to collect additional structural information deemed to be critical and needed in an expedited manner. This reporting form would be called the FR Y-10E. The Federal Reserve proposes to create a free-form supplement to the FR Y-10 so that, should there be an immediate need for certain critical organizational structural information, the necessary data could be collected on this

supplement at the earliest practicable date. Such a need could arise, for example, because of a statutory change or an unexpected market event. Such a supplement currently exists for financial data on the FR Y-9C. The Federal Reserve expects to use this supplement infrequently and only when there is not sufficient time to take proposed changes through the full clearance process.

Board of Governors of the Federal Reserve System, September 7, 2006.

(signed)

Jennifer J. Johnson,
Secretary of the Board