

**Supporting Statement for the
Investment in Bank Premises Notification
(FR 4014; OMB No. 7100-0139)**

Summary

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the filing requirements associated with the Investment in Bank Premises Notification (FR 4014; OMB No. 7100-0139). The Federal Reserve Act (FRA) requires a state member bank to seek prior Federal Reserve approval before making an investment in bank premises that exceeds certain thresholds. There is no formal reporting form and each required request for prior approval must be filed as a notification with the appropriate Reserve Bank of the state member bank. The Federal Reserve uses the information provided in the notice to fulfill its statutory obligation to supervise state member banks. The FR 4014 is required to obtain a benefit because banks wanting to make an investment in bank premises that exceed a certain threshold are required to notify the Federal Reserve. The current annual burden for the FR 4014 is estimated to be seven hours.

Background and Justification

Under section 24A of the FRA and section 208.21 of Regulation H, a state member bank is required under certain circumstances to obtain prior Federal Reserve approval of its intent to invest in bank premises.¹ A state member bank that is not well capitalized, or would not be so on a pro forma basis, or does not have a composite CAMELS rating of 1 or 2 under the Uniform Financial Institutions Rating System must request prior approval when the bank's pro forma aggregate of all such investments, together with any indebtedness of affiliates of the bank related to bank premises (aggregate investment level), would exceed 100 percent of the bank's capital stock and surplus, as defined in section 208.21(a)(2) and (3) of Regulation H. A state member bank that is well capitalized, would remain so on a pro forma basis, and has a composite CAMELS ratings of 1 or 2 must request prior approval when its aggregate investment level would exceed 150 percent of the bank's capital stock and surplus. The Federal Reserve System uses the information in the notification to determine if the proposal is financially sound and consistent with the public interest.

Description of the Information Collection

There is no required format for a notification of a proposed investment in bank premises. If a state member bank is not exempted from seeking prior approval (under the criteria described above), the state member bank must send a letter to the appropriate Reserve Bank that contains information such as the purpose, amount, and funding source of the proposed investment; a general description of the overall bank premises project; and current and pro forma financial statements.

¹ The Board has determined that state member banks may make investments in offsite facilities without regard to the investment limitation as these investments are nominal and do not include real estate.

Upon receipt of a notification, Reserve Bank staff review the bank's general financial condition using examination reports and recent financial data. The percentage of capital and surplus (as defined in Regulation H) that would be represented by the bank's total investment in bank premises is also calculated. The Reserve Bank may approve the notification in writing under delegated authority if the Reserve Bank is satisfied that approval is warranted.² In an instance where significant issues are raised, a Reserve Bank would forward the notification to the Board for appropriate action. Action would then be taken by the Board or the Director of the Board's Division of Banking Supervision and Regulation. An investment in bank premises notification may be denied by the Board if the bank's financial condition is unsatisfactory or if the resultant investment in bank premises would adversely affect the bank's condition or otherwise represent an inappropriate level of risk.

Time Schedule for Information Collection

This information collection is event generated. The notification must be filed prior to a state member bank making an investment in bank premises that results in its total bank premises investment exceeding 100 percent of its capital and surplus as defined in Regulation H, or exceeding 150 percent of its capital and surplus if the bank has a satisfactory CAMELS rating, is well capitalized, and would continue to be well capitalized on a pro forma basis (section 208.21(a)(3)(i) and (ii) of Regulation H). The Federal Reserve usually completes the processing of a notification within 15 days of its receipt. If the bank is notified by the end of the 15-day notice period that further review is necessary, processing would normally be completed within 30 days of receipt of the notice. There is no publication requirement for this type of notification.

Legal Status

The Board's Legal Division has determined that Section 24A(a) of the FRA requires that state member banks obtain prior Board approval before investing in bank premises that exceed certain statutory thresholds. (12 U.S.C. 371d(a)). The FR 4014 is required to obtain a benefit because banks wanting to make an investment in bank premises that exceed a certain threshold are required to notify the Federal Reserve. Individual respondent information in the notification is generally not considered confidential. Should a respondent request confidential treatment for all or part of a notification, then there would be a need to review the request in consultation with appropriate Legal Division staff.

Consultation Outside the Agency

On March 31, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 16120) seeking public comment for 60 days on the extension, without revision, of the filing

² Under the Board's Rules Regarding Delegation of Authority, the Director of the Board's Division of Banking Supervision and Regulation may approve the notification if the Reserve Bank concludes that it should not take action. In addition, the Secretary of the Board acts on the notification when a director or senior officer of the state member bank applicant or its parent holding company serves as a director of a Reserve Bank or a Reserve Bank branch.

requirements associated with the Investment in Bank Premises Notification. The comment period for this notice expires on June 1, 2010.

Estimate of Respondent Burden

The annual reporting burden for the FR 4014 is estimated to be seven hours, based on an estimated average response time of 30 minutes. Because this information collection is event generated, it is not possible to predict exactly how many notices would be filed in a particular year. The average number of notices received in the last two years is 13. This notice requirement represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 4014	13	1	0.5	7

The total estimated annual cost to the public is \$432.³

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimated Cost to the Federal Reserve System

Annual costs associated with providing the instructions for this notice are negligible. There are no mailing or printing costs incurred by the Federal Reserve in administering this notice.

³ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Administrative or Junior Analyst @ \$25, 45% Managerial or Technical @ \$55, 15% Senior Management @ \$100, and 10% Legal Counsel @ \$144). Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2007, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/