



Banking Applications Activity Semiannual Report January 1–June 30, 2023

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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The Federal Reserve reviewed 349 proposals in the first half of 2023, of which 306 were approved, 34 were withdrawn, 1 was denied,² 8 were mooted, and 0 were returned (table 1).³

Total dispositions for the first half of 2023 declined significantly from the first half of 2022. However, the relative 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 This denial was related to a proposed bank formation that the Board determined did not meet the relevant statutory factors.

³ A filing is mooted if developments have led to a situation where the filing is no longer required or needed. A filing is sometimes returned when the Federal Reserve determines at initial receipt that the filing documentation is materially deficient and cannot be processed as presented.

Table 1. Dispositions and processing times of approved proposals, 2019–22 and 2022:H1 and 2023:H1						
All proposals	2019	2020	2021	2022	2022:H1	2023:H1
Dispositions						
Approved	932	774	952	868	455	306
Withdrawn	49	41	32	46	24	34
Denied	0	0	0	1	1	1
Mooted	24	6	9	13	11	8
Returned	4	3	16	10	3	0
Total	1,009	824	1,009	938	494	349
<i>Percent withdrawn of total</i>	4.9%	5.0%	3.2%	4.9%	4.9%	9.7%
Processing time (days)						
Average	42	42	45	49	52	45
Median	35	30	37	37	37	32

Table 1 illustrates that the average number of days to approve a proposal was 45 days in the first half of 2023, compared with 52 days in the first half of 2022. The median processing time also declined from the first half of 2022 at 37 days, versus 32 days for the first half of 2023. These decreases primarily related to fewer proposals receiving adverse public comments and large M&A proposals requiring action by the Board of Governors of the Federal Reserve System (Board) during the first half of 2023.

Applicants may choose to withdraw a proposal for any reason and at any time prior to final disposition. An applicant may choose to withdraw a proposal after Federal Reserve staff informs the applicant that staff would not be in a position to make an approval recommendation because, in staff's view, the proposal is inconsistent with one or more of the statutory factors related to the proposal.⁴ In particular, there may be deficiencies regarding financial or managerial considerations or the Community Reinvestment Act (CRA) or consumer compliance record of the applicant(s) or target organization(s). Other reasons proposals may be withdrawn include a business decision to no longer proceed with the transaction, a determination that another filing would be 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 2023, applicants withdrew 34 proposals, representing 9.7 percent of the total dispositions over that period. Of these, 9 proposals raised significant issues relevant to statutory

⁴ Supervision and Regulation Letter 14-2/CA 14-1, "Enhancing Transparency in the Federal Reserve's Applications Process," provides the 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. See Board of Governors of the Federal Reserve System, "Enhancing Transparency in the Federal Reserve's Applications Process," SR letter 14-2/CA 14-1 (February 24, 2014), <https://www.federalreserve.gov/supervisionreg/srletters/sr1402.htm>.

factors, such as financial, managerial, and competitive considerations. The remaining 25 proposals presented issues unrelated to supervisory considerations or substantive legal issues, and over half of these were withdrawn because the applicant needed to revise the application to address structural changes associated with transaction or informational deficiencies.

Mergers and Acquisitions

Total approved M&A proposals declined from 87 for the first half of 2022 to 46 for the first half of 2023 (table 2).⁵ Average processing time decreased from 81 to 73 days when comparing the same time frames, primarily due to factors previously mentioned. Approved M&A proposals accounted for 15.0 percent of total approved proposals in the first half of 2023, which is lower than percentages in prior years. M&A proposals are generally more complex than other proposals because they typically require review of several organizations under multiple statutory factors. As a result, M&A proposals often take more time to process. As table 2 illustrates, the average and median number of days to approve an M&A proposal in the first half of 2023 were 73 and 47 days, respectively. In comparison, the average and median number of days to approve all proposals in the same period were 45 and 32 days, respectively (see table 1).

Table 2. Merger and acquisition proposals, dispositions and processing times of approved proposals, 2019–22 and 2022:H1 and 2023:H1						
Mergers and acquisitions	2019	2020	2021	2022	2022:H1	2023:H1
Dispositions						
Approved	190	144	184	155	87	46
Withdrawn	16	14	6	11	4	12
<i>Percent M&A of total approved proposals</i>	<i>20.4%</i>	<i>18.6%</i>	<i>19.3%</i>	<i>17.9%</i>	<i>19.1%</i>	<i>15.0%</i>
Processing time (days)						
Average	60	69	65	87	81	73
Median	43	45	45	48	48	47

Circumstances that can contribute to delays in processing include

- consideration of novel supervisory or policy issues that may affect relevant statutory factors;
- incomplete or untimely responses to requests for additional information from an applicant;
- consultations with other regulatory agencies;
- completion of background checks on principal shareholders or policymakers;
- holding public meetings; and

⁵ 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.

- consideration of adverse public comments.

In reviewing M&A proposals, the Federal Reserve considers the structure and ownership of the resulting banking organization, as well as any policy issues presented by the proposal, and is required to consider various statutory factors, 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);
- 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 examinations, and public benefits resulting from the proposal); and
- the effects of the proposal on competition and the financial stability of the United States.

With limited exceptions, all M&A proposals are subject to public notice and comment.⁶ In instances where the Federal Reserve receives one or more timely and substantive adverse public comments,⁷ additional time is typically 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, adverse public comments often raise concerns regarding the convenience and needs statutory factor, including the applicant's CRA and fair lending record. In most cases, proposals subject to a timely and substantive adverse public comment are acted upon by the Board.⁸ Applicants are encouraged to respond to any and all substantive adverse comments.

Table 3 compares processing times for M&A proposals that received public comments and those that did not. Protested proposals approved during 2023:H1 were 2.2 percent of total filings approved, a substantial decrease from 14.5 percent in 2022:H1. There was only one approval during the first half of 2023, which was for a large and complex merger that was subject to

⁶ 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 notices 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 soon 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.

⁷ Section 225.16 of the Board's 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 97-10, "Guidance on Protested Proposals," provides additional guidance regarding certain types of comments that the Federal Reserve does not consider substantive. See Board of Governors of the Federal Reserve System, "Guidance on Protested Proposals," SR letter 97-10 (April 24, 1997), <https://www.federalreserve.gov/boarddocs/srletters/1997/sr9710.htm>.

⁸ Provided the proposals meet the statutory factors for approval, the Federal Reserve Banks can approve under delegated authority proposals that do not receive any substantive adverse public comment; do not raise significant legal, policy, or supervisory issues; or otherwise, are not required to be acted upon by the Board. See 12 C.F.R. § 265.20.

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, 2019–22 and 2022:H1 and 2023:H1

Mergers and acquisitions	2019	2020	2021	2022	2022:H1	2023:H1
Proposals not receiving adverse public comments						
Approved	181	140	177	139	76	45
<i>Processing time (days)</i>						
Average	56	64	62	73	65	66
Median	43	45	45	47	47	47
Proposals receiving adverse public comments						
Approved	9	4	7	16	11	1
Percent M&A receiving adverse public comments of total M&A proposals	4.7%	2.8%	3.8%	10.3%	14.5%	2.2%
<i>Processing time (days)</i>						
Average	143	232	160	208	197	364
Median	123	193	134	165	170	364

numerous adverse public comments. This proposal took 364 days to complete, which is reported as both the median and average processing time.

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.⁹ This process also helps to identify information that may be needed in connection with issues that the Federal Reserve typically considers with a particular type of filing, such as supervisory and statutory compliance, competition, or financial stability issues. 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, or disposition of the application itself. Not all pre-filings result in a final filing.

The Federal Reserve reviewed 19 pre-filing proposals in the first half of 2023, compared to 25 in the first half of 2022. Most pre-filings concerned BHC M&A proposals.

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

⁹ For a description of the filing process, see Board of Governors of the Federal Reserve System, "Implementation of a New Process for Requesting Guidance from the Federal Reserve Regarding Bank and Nonbank Acquisitions and Other Proposals," SR letter 12-12/CA 12-11 (July 11, 2012), <https://www.federalreserve.gov/supervisionreg/srletters/sr1212.htm>.

the managerial and convenience and needs statutory factors. An organization's strong consumer 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 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 2023, average processing times for M&A proposals were 59 days for small CBOs and 84 days for large CBOs, compared to the average of 73 days for all M&A proposals (see table 2). The volume of approved proposals for large CBOs in the first half of 2023 was lower than in the first half of 2022, primarily due to fewer FIRREA and M&A proposals. The overall volume of approved CBO filings in the first half of 2023 decreased when compared to the first half of 2022, with reductions in all categories except membership and branch applications.

Table 4. Proposals from CBOs, volume and processing times (days) of approved proposals, for the full year 2022, 2022:H1, and 2023:H1									
Proposals by applicant asset size	2022			2022:H1			2023:H1		
	Approved (number)	Average (days)	Median (days)	Approved (number)	Average (days)	Median (days)	Approved (number)	Average (days)	Median (days)
Under \$1 billion									
Change in control	118	71	57	60	68	57	45	60	58
Federal Reserve membership	7	45	20	3	26	20	4	12	13
FIRREA	29	13	7	18	13	6	8	6	2
Mergers and acquisitions	88	72	47	49	64	44	32	59	45
Branch establishment	46	21	21	28	21	21	19	24	27
Total	288			158			108		
\$1 billion–\$10 billion									
Change in control	32	62	57	14	69	56	14	75	57
Federal Reserve membership	4	40	22	2	21	21	2	15	15
FIRREA	11	5	2	7	1	1	0	0	0
Mergers and acquisitions	53	96	52	31	90	60	11	84	60
Branch establishment	77	33	22	34	43	21	39	30	27
Total	177			88			66		

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 in considering the proposal's effect on competition to determine future areas of improvement.¹⁰

For further reference, please consult the following:

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

¹⁰ See, e.g., 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>.