



# Banking Applications Activity Semiannual Report July 1–December 31, 2021

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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.<sup>1</sup>

## Overview of Activity

The Federal Reserve reviewed 513 proposals in the second half of 2021, of which 488 were approved, 11 were withdrawn, 4 were mooted, and 10 were returned ([table 1](#)).

There were 1,009 total dispositions for 2021, which was a significant increase from 824 for 2020. Much of this increase was likely due to a reduction in uncertainty perceived by prospective applicants in relation to the economic effects of the COVID-19 pandemic. The composition of proposals was consistent with prior periods, with a majority being branch applications, M&A proposals, and CIBCA notices.

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<sup>1</sup> 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>.

<b>Table 1. Dispositions and processing times of approved proposals, 2018–21 and 2020:H2 and 2021:H2</b>						
All proposals	2018	2019	2020	2021	2020:H2	2021:H2
<b>Dispositions</b>						
Approved	929	932	774	952	408	488
Withdrawn	43	49	41	32	19	11
Denied	0	0	0	0	0	0
Mooted	8	24	6	9	0	4
Returned	4	4	3	16	0	10
Total	984	1,009	824	1,009	427	513
<i>Withdrawn of total</i>	4.4%	4.9%	5.0%	3.2%	4.4%	2.1%
<b>Processing time (days)</b>						
Average	41	42	42	45	46	45
Median	30	35	30	37	31	38

Table 1 illustrates that the average number of days to approve a proposal was 45 days in the second half of 2021, compared with 46 days in the second half of 2020. Also, the median processing time of 38 days for the second half of 2021 is greater than the median processing time of 31 days for the second half of 2020.

Applicants may choose to withdraw a proposal after the Federal Reserve informs the applicant that one or more significant supervisory or other issues exist that could preclude staff from recommending approval under the relevant statutory factors.<sup>2</sup> In particular, there may be deficiencies regarding the financial or managerial condition, the Community Reinvestment Act (CRA) or consumer compliance record, including with respect to fair lending (see the section on Consumer Compliance and CRA). Applicants also may withdraw proposals for a variety of reasons, including a business decision to no longer proceed, a determination that another filing is more appropriate, or an inability to provide required information.

In the second half of 2021, applicants withdrew 11 proposals after consultation with staff, representing 2.1 percent of the total dispositions over that period. Of these, 8 proposals presented issues unrelated to the supervisory process. The other 3 proposals raised significant issues related to relevant statutory factors, such as financial, managerial, and competitive considerations.

<sup>2</sup> Supervision and Regulation Letter SR 14-2/CA 14-1. “Enhancing Transparency in the Federal Reserve’s Applications Process” provides the general 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, and is available on the Board’s website at [The Fed - Supervisory Letter SR 14-2/CA 14-1 on Enhancing Transparency in the Federal Reserve’s Applications Process – February 24, 2014](#).

## Mergers and Acquisitions

In the second half of 2021, the Federal Reserve approved 102 M&A proposals, compared with 74 proposals approved in the second half of 2020 (table 2).<sup>3</sup>

<b>Table 2. Merger and acquisition proposals, dispositions and processing times of approved proposals, 2018–21 and 2020:H2 and 2021:H2</b>						
Mergers and acquisitions	2018	2019	2020	2021	2020:H2	2021:H2
<b>Dispositions</b>						
Approved	190	190	144	184	74	102
Withdrawn	10	16	14	6	5	2
<i>M&amp;A of total approved proposals</i>	<i>20.5%</i>	<i>20.4%</i>	<i>18.6%</i>	<i>19.3%</i>	<i>18.1%</i>	<i>20.9%</i>
<b>Processing time (days)</b>						
Average	57	61	69	65	76	63
Median	42	43	45	45	47	46

Approved M&A proposals accounted for 20.9 percent of total approved proposals in the second half of 2021. M&A proposals generally are more complex than other proposals because they typically require review of several organizations under multiple statutory factors. Examples of activities that can cause delays in processing include consideration of significant policy or supervisory issues that impact relevant statutory factors, or completion of background checks on shareholders or policy makers. As table 2 illustrates, the average and median number of days to approve an M&A proposal in the second half of 2021 were 63 and 46 days, respectively. In comparison, the average and median number of days to approve all proposals in the same period were 45 and 38 days, respectively (see table 1).

In reviewing M&A proposals, the Federal Reserve is required to consider 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 as well as their overall compliance records and recent fair lending exams), public benefits, and the effects of the proposal on competition and the financial stability of the United States. As part of this review, the Federal Reserve also considers the structure and ownership of the resulting banking organization and any policy issues presented by the proposals.

<sup>3</sup> 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.

The Federal Reserve may receive public comments on a proposal.<sup>4</sup> In instances in which one or more adverse public comments are received that are considered substantive,<sup>5</sup> additional time typically is 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, the majority of adverse public comments received by the Federal Reserve raise concerns regarding the convenience and needs statutory factor, including the applicant's CRA and fair lending record. Generally, proposals that receive a substantive adverse public comment are required to be acted on by the Board.<sup>6</sup> Applicants are encouraged to respond to any substantive adverse comments received.

Table 3 compares processing times for M&A proposals that received and those that did not receive adverse public comments. For the second half of 2021, the 3 M&A proposals that received adverse public comments were approved on average in 239 days, versus an average of 59 days for M&A proposals that did not receive public comments.

<b>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, 2018–21 and 2020:H2 and 2021:H2</b>						
Mergers and acquisitions	2018	2019	2020	2021	2020:H2	2021:H2
<b>Proposals not receiving adverse public comments</b>						
Approved	178	181	140	177	70	99
<i>Processing time (days)</i>						
Average	53	56	64	62	67	59
Median	41	43	45	45	46	45
<b>Proposals receiving adverse public comments</b>						
Approved	12	9	4	7	4	3
<i>M&amp;A receiving adverse public comments of total M&amp;A proposals</i>	6.0%	4.4%	2.5%	3.7%	5.1%	2.9%

(continued)

<sup>4</sup> 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 notice 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 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.

<sup>5</sup> Section 225.16 of the Board of Governors of the Federal Reserve System's (Board) 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 FRB: Supervisory Letter SR 97-10 (APP) on guidance on protested proposals – April 24, 1997 ([federalreserve.gov](https://www.federalreserve.gov)).

<sup>6</sup> Provided the proposals meet the statutory factors for approval, the Federal Reserve Banks can approve under delegated authority proposals that do not receive substantive adverse public comments; do not raise significant legal, policy, or supervisory issues; or otherwise are not required to be acted upon by the Board.

Mergers and acquisitions	2018	2019	2020	2021	2020:H2	2021:H2
<i>Processing time (days)</i>						
Average	113	143	232	160	232	239
Median	112	123	193	134	193	148

## 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.<sup>7</sup> 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 competition or financial stability. The pre-filing process is not used to resolve or predetermine the outcome of any substantive issues. Use of the pre-filing process can reduce delays in the processing of an application.

The Federal Reserve reviewed 33 pre-filing proposals in 2021, compared to 39 in 2020. Generally, pre-filing proposals were related to CIBCA notices, branch applications, and M&A proposals. Pre-filings do not result in a final filing in all cases.

## 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 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 may 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.

<sup>7</sup> The pre-filing process is described in the Federal Reserve's Supervision and Regulation Letter 1212/CA1211, "Implementation of a New Process for Requesting Guidance from the Federal Reserve Regarding Bank and Nonbank Acquisitions and Other Proposals," available at <https://www.federalreserve.gov/supervisionreg/srletters/sr1212.htm>.

## Community Banking Organizations

Table 4 provides the volume and processing times of proposals 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 2021, average processing times for M&A proposals were 63 days for small CBOs and 51 days for large CBOs, compared to the average of 65 days for all M&A proposals (see table 2). The overall volume of approved CBO filings in 2021 increased significantly when compared to 2020, primarily from increases in M&A and CIBCA proposals involving small CBOs. The volume of approved proposals by large CBOs in 2021 was higher than 2020, mostly from increases in M&A and branch establishment proposals.

<b>Table 4. Proposals from CBOs, volume and processing times (days) of approved proposals, for the full years 2020 and 2021</b>						
Proposals by applicant asset size	2020			2021		
	Approved	Average (days)	Median (days)	Approved	Average (days)	Median (days)
<b>Under \$1 billion</b>						
Change in control	99	66	58	156	61	57
Federal Reserve membership	9	27	28	13	25	13
FIRREA	37	12	7	47	12	6
Mergers and acquisitions	88	63	45	117	63	45
Branch establishment	52	24	27	45	23	21
<b>Total</b>	<b>285</b>			<b>378</b>		
<b>\$1 billion–\$10 billion</b>						
Change in control	23	66	59	23	66	57
Federal Reserve membership	2	28	28	2	11	11
FIRREA	1	0	0	5	8	2
Mergers and acquisitions	35	52	43	49	51	45
Branch establishment	57	28	27	63	25	26
<b>Total</b>	<b>118</b>			<b>142</b>		

For further reference, please consult the following:

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