

Banking Applications Activity Semiannual Report

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Board of Governors of the Federal Reserve System

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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The Federal Reserve reviewed 495 proposals in the first half of 2021, of which 464 were approved, 20 were withdrawn, 6 were returned, and 5 were mooted (table 1).

Table 1. Dispositions and processing times of approved proposals, 2017–20 and 2020:H1 and 2021:H1

All proposals	2017	2018	2019	2020	2020:H1	2021:H1
Dispositions						
Approved	1,055	929	932	774	366	464
Withdrawn	56	43	49	41	21	20
Denied	0	0	0	0	0	0
Mooted	8	8	24	6	6	5
Returned	2	4	4	3	3	6
Total	1,121	984	1,009	824	396	495
Percent withdrawn of total	5.0%	4.4%	4.9%	5.0%	5.3%	4.0%
Processing time (days)						
Average	46	41	42	43	39	45
Median	35	30	35	30	30	36

Total dispositions for the first half of 2021 increased significantly from 396 in the first half of 2020. 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.

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 thereby establish branches. 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 (the Board's) website at <https://www.federalreserve.gov/supervisionreg.htm>.

Table 1 illustrates that the average number of days to approve a proposal was 45 days in the first half of 2021, compared with 39 days in the first half of 2020. Also, the first half of 2021 median processing time of 36 days is higher than the median processing time of 30 days for the first half of 2020.

About 4 percent of total dispositions in the first half of 2021 were withdrawn. Proposals may be withdrawn by applicants because of considerations unrelated to the supervisory process. Applicants also may choose to withdraw proposals after the Federal Reserve informs the applicant that, based on staff’s review of the statutory factors applicable to the application, one or more significant issues exists that could preclude staff from recommending approval.² For example, there may be significant supervisory issues presented by the transaction parties or the proposal, such as the financial or managerial condition of the applicant or resulting banking organization, or the Community Reinvestment Act (CRA) or consumer compliance record, with respect to fair lending (see the section on Consumer Compliance and CRA).

In the first half of 2021, there were 20 proposals withdrawn by the applicants after consultation with staff. Of these, 10 proposals presented significant technical or procedural issues. The other 10 proposals raised significant issues related to statutory factors that must be considered by the Federal Reserve, such as financial, managerial, control, or competitive issues.

Table 2. Merger and acquisition proposals, dispositions and processing times of approved proposals, 2017–20 and 2020:H1 and 2021:H1

Mergers and acquisitions	2017	2018	2019	2020	2020:H1	2021:H1
Dispositions						
Approved	238	190	190	144	70	81
Withdrawn	15	10	16	14	9	4
<i>Percent M&A of total approved proposals</i>	<i>23.0%</i>	<i>20.0%</i>	<i>20.0%</i>	<i>18.6%</i>	<i>20.0%</i>	<i>16.6%</i>
Processing time (days)						
Average	65	57	60	69	62	71
Median	42	42	43	45	43	45

Mergers and Acquisitions

In the first half of 2021, the Federal Reserve approved 81 M&A proposals, compared with 70 proposals approved in the first half of 2020 (table 2).³

M&A approved proposals accounted for 16.6 percent of total approved proposals in the first half of 2021. 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 banking, consumer protection, and anti-money-laundering laws), 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

² 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 <https://www.federalreserve.gov/supervisionreg/srletters/srletters.htm>.

³ 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 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.

M&A proposals generally are more complex than other proposals because they often require review of several organizations under multiple statutory factors.⁴ As table 2 illustrates, the average and median number of days to approve an M&A proposal in the first half of 2021 were 71 and 45 days, respectively. In comparison to all proposals (see table 1) for the same period, the average and median number of days to approve for all proposals were 45 and 36 days, respectively.

The Federal Reserve may receive public comments on a proposal.⁵ In instances in which one or more adverse public comments are received that are considered substantive,⁶ 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.⁷ The majority of adverse public comments received by the Federal Reserve raise concerns regarding the convenience and needs statutory factor, including the fair lending record of the applicant. Comments also may concern other statutory factors the Federal Reserve Board (Board) must consider in connection with a proposal. Generally, proposals that receive a substantive adverse public comment are required to be acted on by the Board.⁸ 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. There were two M&A proposals that received adverse public comments during the first half of 2021, and both were approved. In the first half of 2021, M&A proposals that did not receive adverse public comments were approved on average in 66 days, versus an average of 106 days for M&A proposals that received adverse comments.

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 Board typically considers in connection with a particular type of application or

⁴ See supra note 1.

⁵ The applicant is required to publish notice of its proposal, typically in newspapers serving certain communities in which the applicant or target has operations. The Federal Reserve also publishes notice in the *Federal Register* for certain types of proposals. The notices inform the public of the opportunity to submit written comments on the proposal.

⁶ Section 225.16 of the Federal Reserve'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 <https://www.federalreserve.gov/supervisionreg/srletters/srletters.htm>.

⁷ In addition, delays may result from consideration of significant policy or supervisory issues or the completion of background checks on certain proposed shareholders and policymakers.

⁸ Generally, the Federal Reserve Banks can approve proposals under delegated authority 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, provided the proposals meet the statutory factors for approval.

⁹ 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 Non-bank Acquisitions and Other Proposals," available at <https://www.federalreserve.gov/supervisionreg/srletters/sr1212.htm>.

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, 2017–20 and 2020:H1 and 2021:H1

Mergers and acquisitions	2017	2018	2019	2020	2020:H1	2021:H1
Proposals not receiving adverse public comments						
Approved	219	178	181	140	70	79
Processing time (days)						
Average	56	53	56	64	62	66
Median	42	41	43	45	43	45
Proposals receiving adverse public comments						
Approved	19	12	9	4	0	2
<i>Percent M&A receiving adverse public comments of total M&A proposals</i>	<i>7.5%</i>	<i>6.0%</i>	<i>4.4%</i>	<i>2.5%</i>	<i>0.0%</i>	<i>2.4%</i>
Processing time (days)						
Average	173	113	143	232	N/A	106
Median	164	112	123	193	N/A	106

notice, 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 avoid or minimize delays in the processing of an application.

The Federal Reserve reviewed 14 pre-filings in the first half of 2021, compared to 15 in the first half of 2020. Generally, pre-filings were related to CIBCA notices, branch applications, M&A proposals, and SLHC Mutual Holding Company dividend waiver requests. Pre-filings may or may not result in a formal filing.

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 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 be associated with 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.

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 the first half of 2021, average processing times for M&A proposals by small and large CBOs were 68 days and 50 days, respectively, compared to the average of 71 days for all M&A proposals. The overall volume of approved CBO filings in the first half of 2021 increased significantly when compared to the first half of 2020, primarily from increases in M&A and CIBCA proposals by small CBOs. The volume of approved proposals by large

CBOs in the first half of 2021 is higher than the same period of 2020, mostly from an increase in branch establishment proposals.

Table 4. Proposals from CBOs, volume and processing times (days) of approved proposals, for the full year 2020, 2020:H1 and 2021:H1

Proposals by applicant asset size	2020			2020:H1			2021:H1		
	Approved	Average (days)	Median (days)	Approved	Average (days)	Median (days)	Approved	Average (days)	Median (days)
Under \$1 billion									
Change in control	99	66	58	43	61	58	79	59	57
Federal Reserve membership	9	27	28	3	35	28	7	35	7
FIRREA	37	12	7	15	22	21	31	13	6
Mergers and acquisitions	88	63	45	40	62	42	56	68	45
Branch establishment	52	24	27	28	24	27	28	23	21
Total	285			129			201		
\$1 billion–\$10 billion									
Change in control	23	66	59	10	56	58	9	59	57
Federal Reserve membership	2	28	28	0	0	0	1	7	7
FIRREA	1	0	0	0	0	0	1	16	16
Mergers and acquisitions	35	52	43	19	50	43	20	50	45
Branch establishment	57	28	27	26	29	29	33	26	27
Total	118			55			64		

For further reference, please consult the following:

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