

Supporting Statement for the International Applications and Prior Notifications under Subpart B of Regulation K (FR K-2; OMB No. 7100-0284)

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the International Applications and Prior Notifications under Subpart B of Regulation K (FR K-2; OMB No. 7100-0284). Under the International Banking Act of 1978 (IBA), foreign banks are required to obtain the prior approval of the Board to establish a branch, agency, or representative office in the United States; to establish or acquire ownership or control of a commercial lending company in the United States; or to change the status of an agency or limited branch to a branch in the United States. The Board uses the information from the FR K-2 in connection with these applications and to supervise foreign banks with offices¹ in the United States.

The estimated total annual burden for the FR K-2 is 372 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/ReportingForms/>.

Background and Justification

Subpart B of Regulation K governs the U.S. activities of foreign banking organizations. It implements the IBA and provisions of the Bank Holding Company Act of 1956 and sets forth rules under which foreign banks establish and operate U.S. offices and certain foreign banking organizations that have U.S. commercial and industrial holdings. Generally, the IBA and Regulation K provide that a foreign bank may not establish a branch, agency, or representative office in the United States or acquire ownership or control of a commercial lending company in the United States, unless the Board finds that the foreign bank is subject to comprehensive supervision on a consolidated basis by the bank's home country supervisor and engages directly in the business of banking outside of the United States. Even if these conditions are not met, the Board may approve an application by a foreign bank to establish a U.S. branch or agency if (1) the appropriate authorities in the home country of such foreign bank are working to establish arrangements for the consolidated supervision of such bank and (2) all other factors are consistent with approval.²

The various attachments to the FR K-2 instructions specify the information a foreign bank must include when submitting an application or prior notice under subpart B of Regulation K. The information required in the instructions pertains only to the specific activity proposed. The information reported on the FR K-2 is not available from any other source.

¹ The term "office" means any branch, agency, or representative office, or a commercial lending company subsidiary of a foreign bank in the United States.

² In deciding whether to approve an application under this lesser standard, the Board also considers whether the foreign bank has adopted and implemented procedures to combat money laundering, and whether the home country supervisor is developing a legal regime to address money laundering.

Description of Information Collection

The FR K-2 reporting form consists of a cover sheet and the following five attachments for the application and notification requirements embodied in Subpart B of Regulation K - International Banking Operations (12 CFR Part 211):

- Attachment A Information Requested in Connection with Applications by Foreign Banks to Establish Branches, Agencies, or Commercial Lending Companies in the United States (Section 211.24(a)(1) of Regulation K)
- Attachment B Information Requested in Connection with Applications by Foreign Banks to Establish Representative Offices in the United States (Section 211.24(a)(1) of Regulation K)
- Attachment C Information Requested in Connection with Notifications by Foreign Banks to Establish Branches, Agencies, or Commercial Lending Companies in the United States (Section 211.24(a)(2)(i)(A) of Regulation K)
- Attachment D Information Requested in Connection with Notifications by Foreign Banks to Establish Representative Offices in the United States (Section 211.24(a)(2)(i)(B)(1) – (3) of Regulation K)
- Attachment E Commitments Required in Connection with Applications and Notifications by Foreign Banks to Establish Branches, Agencies, Commercial Lending Companies, or Representative Offices in the United States.

The applicant foreign bank must describe the proposed office or commercial lending company subsidiary, including the types of business to be conducted and the types of services to be offered. The applicant must also describe the home country bank regulatory and supervisory framework and any secrecy laws or other impediments that would restrict the ability of the applicant and its ultimate parent(s) to provide information to the Board as needed. In addition, the applicant must describe any relevant home-country laws or regulations or measures adopted by the applicant to deter money laundering, terrorist financing, or other illicit activities. Finally, the applicant must provide information about its operations, structure, and ownership, including a complete organization chart, financial information, and information regarding certain of the bank's senior officers, major shareholders, and proposed management of the U.S. office.

Applicants are also required to publish a notice in a newspaper of general circulation in the community where the office is proposed to be located.³ The newspaper notice must state the name and address of the applicant/notificant and the proposed office, and it must invite the public to submit written comments to the appropriate Reserve Bank.

A foreign bank and its ultimate parent(s) submitting an application to establish branches, agencies, and commercial lending companies in the United States (Attachment A) or a notification to establish representative offices in the United States (Attachment D) must also provide commitments to (1) generally make available to the Board such information on the

³ 12 CFR 211.24(b)(2).

operations of the bank and any of its affiliates that the Board deems necessary to enforce applicable law and (2) consent to jurisdiction in the United States in any manner arising under U.S. banking law (Attachment E). Information already provided in applications filed with state or federal bank regulatory authorities or otherwise previously provided to the Federal Reserve may be used to meet the information requirements of the FR K-2. The Board understands that respondents use information technology to comply with these provisions, including submitting applications electronically through the Federal Reserve System's FedEZFile platform (<https://www.federalreserve.gov/supervisionreg/afi/afi.htm>).⁴

Respondent Panel

The FR K-2 panel comprises foreign banks, which are required to obtain the prior approval of the Board to establish a branch, agency, or representative office in the United States; to establish or acquire ownership or control of a commercial lending company in the United States; or to change the status of any existing office in the United States.

Frequency and Time Schedule

The FR K-2 is event-generated. These applications and notifications are event-generated. The applying or notifying organization submits the FR K-2 information collection in accordance with the application and notification requirements embodied in Subpart B of Regulation K to the Federal Reserve Bank with supervisory responsibility for that foreign bank.⁵

Public Availability of Data

With regard to the FR K-2, the Board publishes certain information regarding the parties to and structure of the associated transaction in its H.2 release. The Board does not routinely publicly release information collected through the FR K-2. The Board may release non-confidential information included in the FR K-2 upon request, pursuant to the Freedom of Information Act (FOIA).

Legal Status

The FR K-2 is authorized pursuant to section sections 7, 10, and 13 of the International Banking Act.⁶

The Board does not routinely publicly release information collected through the FR K-2. With regard to applications filed using the FR K-2, the Board publishes certain information regarding the parties to and structure of the associated transactions in its H.2 release. To the extent a respondent submits nonpublic commercial or financial information in connection with the FR K-2, which is both customarily and actually treated as private by the respondent, the respondent may request confidential treatment pursuant to exemption 4 of the Freedom of

⁴ The FR K-2 application may alternatively be submitted in paper form, however applicants are strongly encouraged to submit applications through FedEZFile.

⁵ If the foreign bank does not currently operate in the United States, the application is submitted to the Federal Reserve Bank in whose district the proposed office will be located.

⁶ 12 U.S.C. §§ 3105, 3107, and 3108.

Information Act (FOIA).⁷ To the extent a respondent submits information that is matter contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, the information would be confidential pursuant to exemption 8 of the FOIA.⁸

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On March 29, 2024, the Board published an initial notice in the *Federal Register* (89 FR 22149) requesting public comment for 60 days on the extension, without revision, of the FR K-2. The comment period for this notice expires on May 28, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR K-2 is 372 hours. The reporting burden is based on the number of responses received during a typical year. The disclosure burden reflects the amount of time required to fulfill the newspaper publication requirement. These reporting and disclosure requirements represent less than 1 percent of the Board’s total paperwork burden.

FR K-2	<i>Estimated number of respondents⁹</i>	<i>Estimated Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Reporting	13	1	27.5	358
Disclosure	13	1	1.1	<u>14</u>
				372

The estimated total annual cost to the public for the FR K-2 \$24,645.¹⁰

⁷ 5 U.S.C. § 552(b)(4)

⁸ 5 U.S.C. § 552(b)(8).

⁹ Of these respondents to this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets)

<https://www.sba.gov/document/support--table-size-standards>.

¹⁰ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$22, 45% Financial Managers at \$80, 15% Lawyers at \$79, and 10% Chief Executives at \$118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2022, published April 25, 2023 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR K-2 is negligible.