

**Supporting Statement for
Reports of Changes in Organizational Structure
(FR Y-10, FR Y-10F, and FR Y-10S; OMB No. 7100-0297)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB) proposes to revise, without extension, the following mandatory family of reports:

- Report of Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297), and
- Report of Changes in FBO Organizational Structure (FR Y-10F; OMB No. 7100-0297).

The FR Y-10 is an event-generated report filed by top-tier domestic bank holding companies (BHCs), including financial holding companies (FHCs), and state member banks unaffiliated with a BHC or FHC, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in both banking and nonbanking activities.

The FR Y-10F is an event-generated report filed by foreign banking organizations (FBOs), including FHCs, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to ensure compliance with U.S. banking laws and regulations and to determine the risk profile of the FBO structure.

The Federal Reserve proposes to add a Supplement to the Reports of Changes in Organizational Structure (FR Y-10S) to enhance the Federal Reserve's ability to compare regulatory data to market data and to increase the Federal Reserve's effectiveness in assessing banking organizations' compliance with the Sarbanes-Oxley Act of 2002 (SOX). The total current annual reporting burden for this family of reports is estimated to be 11,392 hours and is estimated to increase by 6,612 hours with these proposed revisions. This increase in hours consists of a one-time increase of 5,510 hours and an ongoing annual increase of 551 hours. The proposed FR Y-10S would be implemented as of December 31, 2005.

Background and Justification

FR Y-10

In 1985, the Annual Report of Domestic Bank Holding Companies (FR Y-6) was restructured to collect only financial information, and the Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124), was created to capture structure information for new BHCs or BHCs that had undergone a change in their structure. In April 2000, the Federal Reserve revised the FR Y-6A to collect information on changes in investments and activities related to the Gramm-Leach-Bliley Act of 1999 (GLB Act) from FHCs and unaffiliated state member banks. In September 2001, the Federal Reserve replaced the FR Y-6A with the FR Y-10 to reduce the burden and costs associated with reporting this information. This revision made the reporting of structure information by domestic and foreign banking organizations more similar,

increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method of reporting percentage ownership of nonbanking investments, and simplified the reporting of legal authority and activity codes. Finally, the reporting of certain information on the structure of foreign investments was moved from the Report of Changes in Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109) to the FR Y-10, and the FR 2064 was changed to a recordkeeping requirement.

The Federal Reserve uses this information to monitor the activities of reportable companies to ensure that the activities are conducted in a safe and sound manner. The FR Y-10 data provide the Federal Reserve with information integral to monitoring compliance with the Bank Holding Company Act (BHC Act), the GLB Act, the Federal Reserve Act, Regulation Y, and Regulation K. Additionally, the FR Y-10 is the only source of information collected by a banking agency that captures detailed information on the structure of the banking organizations described in the Respondent Panel section below.

FR Y-10F

In 1995, the Foreign Banking Organization Structure Report on U.S. Banking and Nonbanking Activities (FR Y-7A; OMB No. 7100-0125) was implemented to collect structure information previously collected in section II of the Annual Report of Foreign Banking Organizations (FR Y-7; OMB No. 7100-0125). In December 1999, the reporting requirement was modified to collect FR Y-7A data for each company represented on the FR Y-7 organizational chart so that an accurate representation of the FBO could be captured. In April 2000, the Federal Reserve revised the FR Y-7A to collect information on changes in investments and activities related to the GLB Act from FBOs that are FHCs. In September 2001, the Federal Reserve replaced the FR Y-7A with the FR Y-10F. This revision made the reporting of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method of reporting percentage ownership of nonbanking investments, and simplified the reporting of legal authority and activity codes. Also, the FR Y-10F collects data on managed non-U.S. branches, not previously reported on the FR Y-7A. The Federal Reserve uses this information to assess the FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

Description of Information Collection

The FR Y-10 collects data on organizational structural changes for the reportable companies listed in the respondent panel. There are four schedules: the Banking Schedule, which is used to report information on a banking organization and its directly or indirectly held interests in a BHC, bank organized under U.S. law, or FBO; the Nonbanking Schedule, which is used to report information about a banking organization's directly or indirectly held interests in a nonbanking company; the Merger Schedule, which collects information on the survivors and nonsurvivors of mergers involving any reportable company, and the 4(k) Schedule, which is used to report required post-transaction notice for activities, formations and acquisitions of companies, and large merchant banking and insurance company investments authorized under Section 4(k) of the BHC Act.

The FR Y-10F collects data on organizational structural changes for FBOs with respect to their U.S. banking and nonbanking activities. There are five schedules: the Banking Schedule, which is used to report information on a banking organization and its directly or indirectly held interests in a BHC, bank organized under U.S. law, or FBO; the Nonbanking Schedule, which is used to report information about a banking organization's directly or indirectly held interests in a nonbanking company; the Merger Schedule, which collects information on the survivors and nonsurvivors of mergers involving any reportable company; the 4(k) Schedule, which is used to report required post-transaction notice for activities, formations and acquisitions of companies, and large merchant banking and insurance company investments authorized under Section 4(k) of the BHC Act; and the Branch, Agency, and Representative Office Schedule, which collects structure information on U.S. branches, agencies, representative offices, and managed non-U.S. branches of FBOs.

Proposed Supplement (FR Y-10S)

Schedule A - SEC Reporting Status

As a general matter, the Federal Reserve's supervisory function assesses the effectiveness of a banking organization's systems and processes designed to ensure compliance with laws and regulations, including SOX. SOX contains detailed requirements designed to improve corporate governance, enhance financial disclosures, and reform auditing relationships for public companies, including public banking organizations. Public banking organizations are those BHCs and their subsidiaries that are required to file annual reports with the Securities and Exchange Commission (SEC) pursuant to sections 13(a) or 15(d) of the Securities and Exchange Act of 1934. The Federal Reserve currently does not require banking organizations to report their SEC registration status, or a change in their status, on an annual or periodic basis. The proposed change would enable the Federal Reserve to provide an accurate list of public banking organizations and their subsidiaries to the other federal banking agencies. Data from Schedule A would allow the Federal Reserve to closely monitor banking organizations that must comply with SOX.

The Federal Reserve proposes to include the following question in Part I of Schedule A to collect SEC reporting information to allow for more effective determination of which banking organizations must comply with SOX. This schedule would be completed by top-tier BHCs, FBOs, and state member banks not controlled by a BHC.

Is the reporter or any of its subsidiaries required to file annual and other periodic reports with the SEC pursuant to section 13(a) or 15(d) of the Securities and Exchange Act of 1934?

If the reporter responds yes to this question, the reporter would be required to complete Part II of Schedule A for all such companies. Part II asks the respondent to indicate one of the following three categories for itself and all of its subsidiaries for which this information is applicable.

- 1) Entity is subject to section 13(a) or 15(d) of the Securities and Exchange Act of 1934 and section 404 of the Sarbanes-Oxley Act of 2002.

- 2) Entity is subject to section 13(a) or 15(d) of the Securities and Exchange Act of 1934, but is not subject to section 404 of the Sarbanes-Oxley Act of 2002.
- 3) Entity has suspended its reporting requirements under section 13(a) or 15(d) of the Securities and Exchange Act of 1934.

During 2006, the Federal Reserve may propose to incorporate questions from Schedule A and Schedule B into the FR Y-10 and FR Y-10F. However, if this separate proposal is not completed by December 2006, Schedule A would be revised to include questions on whether or not there was a change to the data reported for December 31, 2005.

Schedule B - Committee on Uniform Security Identification Procedures (CUSIP) number

Over the last several years, the need to analyze regulatory data and market data jointly has increased for supervisory and economic research purposes. The Federal Reserve System and other federal banking agencies are increasingly interested in the ability to perform this analysis. The market data could be used for risk classifications for deposit insurance pricing purposes and off-site surveillance models used to quantify the likelihood of downgrades in supervisory ratings.

To facilitate both supervisory analysis and economic research, there have been efforts to build databases linking Federal Reserve unique identifiers for institutions (ID RSSDs) to market identifiers such as CUSIP numbers and stock tickers. Although the market identifiers such as CUSIP numbers are publicly available, reconciling them to regulatory data has proven difficult and imprecise because so many institutions have similar attributes (such as entity names). Many who use these data have found it difficult and time consuming to perform this task and to keep the list up to date, particularly when there are mergers and acquisitions. Accurate and timely data are often needed to respond to Congressional and other inquiries. To assist in this reconciling, collection of six-digit CUSIP numbers on the FR Y-10S would provide a link between the ID RSSD identifiers and the market identifiers.

A CUSIP number identifies publicly-issued securities, including stocks of all registered U.S. and Canadian companies and U.S. government and municipal bonds. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security. The Federal Reserve proposes to require only the first six digits of the CUSIP number to reduce burden, and this number would still allow the Federal Reserve to uniquely identify the company. However, this item would be completed by the respondent for certain of its subsidiaries that have these identifiers.

The CUSIP number may be used to link data from regulatory reports with other publicly available datasets that contain stock and bond returns, earnings forecasts, executive compensation, and the like. An index matching the CUSIP number with the ID RSSD would allow investors, policy makers and academics to more fully examine issues ranging from bank-level economic performance to policy research on factors impacting systemic risk. Finally, as regulators increasingly rely on market discipline, the proposed change to link the regulatory and market data will assist in monitoring market activities.

The Federal Reserve proposes to include the following question in Part I of Schedule B

to collect CUSIP information to enhance the Federal Reserve's ability to evaluate regulatory data by reconciling it accurately with market data reported to shareholders. This schedule would be completed by top-tier BHCs and state member banks not controlled by a BHC.

Does the reporter, its lower-tier U.S. BHCs, its subsidiary U.S. banks, or its largest subsidiary U.S. nonbanking company¹ have currently active six-digit CUSIP numbers for debt or equity issuances?

If the reporter responds yes to this question, the reporter would be required to complete Part II of Schedule B, which asks for the respondent to indicate the six-digit CUSIP number for itself and those subsidiaries referenced in Part I for which this information is applicable.

Respondent Panel

The FR Y-10 panel comprises top-tier BHCs, including FHCs; state member banks that are not controlled by a BHC; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; nationally chartered banks that are not controlled by a BHC, with regard to their foreign investments only; and FBOs that are BHCs and non-qualifying FBOs.

The FR Y-10F panel comprises FBOs that are organized under the laws of a foreign country and that are engaged in the business of banking in the United States through subsidiary banks, Edge or agreement corporations, subsidiary commercial lending companies, or their own branches or agencies. The panel does not include those investments held through a U.S. BHC or through a non-qualifying FBO that is a BHC (these investments should be reported on the FR Y-10).

The FR Y-10S panel would comprise top-tier BHCs, FBOs, and state member banks that are not controlled by a BHC. All of these organizations currently file either the FR Y-10 or FR Y-10F. However, FBOs would not be required to report data for Schedule B.

Time Schedule for Information Collection

The FR Y-10 and the FR Y-10F are event-generated, submitted within thirty calendar days of a reportable transaction or event. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Limited data from the FR Y-10 and the FR Y-10F are published on the National Information Center (NIC) public website.

Schedule A of the FR Y-10S would be collected from all respondents initially as of December 31, 2005, to establish the information in the Federal Reserve's databases and changes to this information would be reported as of December 31 each year thereafter. Data for Schedule A would be due March 1 of the following year.

¹The Federal Reserve proposed to collect CUSIP data on only the largest subsidiary U.S. nonbanking company to minimize burden on respondents.

Schedule B of the FR Y-10S also would be collected from all respondents initially as of December 31, 2005, and would be due March 31, 2006.² Changes to the data that occur between January 1 and March 31, 2006, would be reported by April 30, 2006. Changes to the data that occur after March 31, 2006, would be reported within thirty days.

Legal Status

The Board's Legal Division has determined that the following statutes authorize the Federal Reserve to require the FR Y-10, FR Y-10F, and FR Y-10S: Sections 4(k) and 5(c)(1)(A) of the BHC Act (12 U.S.C. §§ 1843(k), 1844(c)(1)(A)); Sections 11(a)(1), 25(7) and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)). The Board's Legal Division also has determined that the following statutes authorize the Federal Reserve to require the FR Y-10F and FR Y-10S: Section 225.87 of Regulation Y (12 CFR 225.87) and Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)).

The Board's Legal Division also determined that the data collected in the FR Y-10 and FR Y-10F are not considered confidential. However, a company may request confidential treatment pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)]. Section (b)(4) provides exemption for "trade secrets and commercial or financial information obtained from a person as privileged or confidential." Section (b)(6) provides exemption for "personnel and medical files and similar files the disclosure of which will constitute a clearly unwarranted invasion of personal privacy."

Estimate of Respondent Burden

As shown in the following table, the current annual reporting burden for the FR Y-10 and FR Y-10F is estimated to be 11,392 hours. The proposed changes would increase burden in two ways. The initial collection in December 2005 would add an estimated one hour for each organization in the reporting panel. The ongoing collection would add an estimated thirty minutes for significantly fewer respondents, since the proposed data are not expected to change frequently. As a result, the estimated annual burden for this family of reports would increase to 18,004 hours on a one-time basis and to 12,494 on an ongoing basis. The estimated annual burden for these reports, current and proposed, is less than 1 percent of the total Federal Reserve System burden.

² Different due dates for the schedules were proposed to minimize burden on respondents. However, respondents may choose to file the initial data for both schedules on March 1, 2006, if they find this easier.

	<i>Number of Respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current FR Y-10	2,448	4	1	9,792
Current FR Y-10F	320	5	1	<u>1,600</u>
<i>Total</i>				11,392
Proposed FR Y-10S				
Initial collection	5,510	1	1	5,510
Ongoing collection	551	4	.50	<u>1,102</u>
<i>Total</i>				6,612
Total				18,004

Based on an hourly cost of \$20, the estimated annual reporting cost to the public for the FR Y-10 and FR Y-10F would increase from \$227,840 to \$360,080.

Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing these reports are estimated to be \$1,425,402 per year. With the revisions the estimated costs will increase by 5 percent to \$1,491,007 per year. The one-time costs to implement the revised reports are estimated to be \$115,118.

Consultation Outside the Agency

The Federal Reserve conducted informal interviews with a couple of large banking organizations and the Clearinghouse industry association. This proposal reflects content from the feedback received. In addition, the Federal Reserve consulted with the American Bankers Association and Standard & Poor's regarding the collection of CUSIP numbers.

Sensitive Questions

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