
Instructions for Preparation of FR Y-4 Application to the Board of Governors of the Federal Reserve System

Who Must File This Application

Any existing bank holding company proposing to engage in nonbanking activities, either *de novo* or through the acquisition of assets or shares of an existing company, must file this application.

Preparation of Application

To assist Applicant, a pamphlet titled *Processing an Application Through the Federal Reserve System* is available from any Federal Reserve Bank ("Reserve Bank"). Applicant is encouraged to refer to this pamphlet as well as the Board's *Manual on Procedures for Processing Applications and Notifications for Bank Holding Companies and State Member Banks* as they provide information and assistance for preparing and filing an application, and outline the processing procedures, public notification requirements, and other general information.

Inquiries concerning the preparation and filing of this application should be directed to the Reserve Bank of the District in which the main office of Applicant's sole or principal subsidiary bank is located. As indicated on the cover page, an application may first be submitted in draft form whenever Applicant so chooses.

The required application is to be filed by submitting the information requested in this form to the appropriate Reserve Bank. Alternative formats, if used, must provide all requested information. The application must be substantially complete and responsive to each item of information requested (including an indication that the answer is "not applicable" or "none" where such is the case) in order to be considered properly filed in accordance with the requirements of the BHC Act.

The appropriate Reserve Bank, within the established time limitations, will review the submitted application to

determine if it is complete. If so, an acknowledgement letter will be sent indicating the date of completion. If the submitted application is not complete, a request for additional information will be sent to the contact person named in the application. Under certain circumstances, name check and financial information may be required. Contact the appropriate Reserve Bank for further information.

The Federal Reserve System reserves the right to require the filing of additional statements and information. If any information initially furnished in the application changes significantly during processing of the application, these changes should be communicated promptly to the appropriate Reserve Bank.

Confidentiality

Under the provisions of the Freedom of Information Act (5 U.S.C. 552), the application is a public document and available to the public upon request.

If Applicant is of the opinion that disclosure of commercial or financial information would likely result in substantial harm to its competitive position or that of its subsidiaries, or that disclosure of information of a personal nature would result in a clearly unwarranted invasion of personal privacy, confidential treatment of such information may be requested. This request for confidential treatment must be submitted in writing concurrently with the submission of the application, and must discuss in detail the justification for confidential treatment. Such justification must be provided for each response for which confidential treatment in the public portion of the application is requested. Applicant's reasons for requesting confidentiality should demonstrate specifically the harm that would result from public release of the information. A statement simply indicating that the information would result in competitive harm or that it is per-

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sonal in nature is not sufficient. (A claim that disclosure would violate the law or policy of a foreign country is not, in and of itself, sufficient to exempt information from disclosure. It must be demonstrated that disclosure would meet either the “substantial competitive harm” or “unwarranted invasion of personal privacy” tests.)

Information for which confidential treatment is requested should be: (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled “Confidential.”

Applicant should follow this same procedure on confidentiality with regard to filing any supplemental information to the application.

The Board will determine whether information submitted as confidential will be so regarded, and will advise Applicant of any decision to make available to the public information labeled “Confidential.” However, it shall be understood that, without prior notice to Applicant, the Board may disclose or comment on any of the contents of the application in the Order or Statement issued by the Board in connection with its decision on the application. The Board’s staff normally will apprise an Applicant in the course of the applications process that such information may need to be disclosed in connection with the Board’s action on the application.

De Novo Activities

If Applicant or any nonbanking subsidiary proposes to engage *de novo* in nonbanking activities that are permissible pursuant to Section 225.25(b) of Regulation Y, Applicant need only provide the appropriate Reserve Bank with a notice in the form designated on page 6 of this application form. The Federal Reserve System will prepare the *Federal Register* notice; however, Applicant may submit a draft *Federal Register* notice so as to further clarify its intent.

Simplified Procedures for Small Acquisitions

Pursuant to section 225.23(f) of Regulation Y, Applicant may acquire voting shares or assets, that otherwise require the Board’s approval, of a company engaged in

activities permissible under section 225.25(b) of Regulation Y by either: (1) filing with the appropriate Reserve Bank a notice (in substantially the same form on Page 6 of this application form) of the proposed acquisition that was published in a newspaper of general circulation in the area(s) to be served as a result of the acquisition; or (2) requesting the Board to publish notice of the proposed acquisition in the *Federal Register* through filing a notice with the appropriate Reserve Bank in the form designated on page 6 of this application form. The newspaper notice must provide an opportunity for interested persons to comment on the application for a period of at least 10 calendar days. If Applicant elects the *Federal Register* notice, the notice shall provide an opportunity for interested persons to comment for a period of at least 15 calendar days. (If the proposed acquisition involves a company that conducts business in several locations, requesting the Board to publish notice in the *Federal Register* may be preferable to trying to ensure adequate newspaper coverage in the correct areas.) Approval of a proposal under section 225.23(f) of Regulation Y grants Applicant the authority to conduct the activity at locations specified in the notice. The procedure presented in this paragraph is available only where: (1) neither the book value of the assets to be acquired nor the gross consideration to be paid for the securities or assets exceeds the greater of: (a) \$15 million or (b) 5 percent of the consolidated assets of Applicant, up to a maximum of \$100 million; (2) Applicant has previously received Board approval to engage in the activity involved in the acquisition; and (3) Applicant meets the Board’s capital adequacy guidelines (see Appendix A of Regulation Y).

Joint Ventures

If the proposal involves a joint venture, contact the appropriate Reserve Bank for supplemental instructions.

Supporting Information

Please note that the Federal Reserve System specifically reserves the right to require the filing of additional statements and information. The formal questions in the application are not intended to limit Applicant’s presentation. Applicant bears the full burden for presenting and documenting a case to meet the statutory criteria for approval. Supporting information for any or all factors,

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setting forth the basis for Applicant's judgment, may accompany the application.

Compliance

The Board expects Applicant to comply with all representations and commitments made in this application. Applicant should immediately contact the appropriate Reserve Bank if there is any change in the structure of the proposal prior to consummation.

Requested Information

Proposed Transaction

1. Provide a description of the nonbanking activities involved in the proposed transaction. The description should include, but it not necessarily limited to, the following:
 - a. A statement as to whether the application is to engage *de novo* in nonbanking activities, to acquire assets of a going concern, or acquire shares of a going concern;
 - b. The name of the organization that will perform the nonbanking activities (e.g., Applicant, subsidiary, proposed subsidiary);
 - c. A description of each nonbanking activity for which Applicant is seeking approval, listed in order of importance. For going concern applications, all activities (whether material or incidental) should be so listed. For each nonbanking activity listed, provide the specific subsection or paragraph of the Act and Regulation Y being relied upon to engage in, or acquire, each nonbanking activity. The description of the activity should demonstrate that the activities would be conducted consistent with provisions of the Act, the Board's Regulation Y, related interpretations, and Board Orders associated with the specific activity;
 - d. If such nonbanking activities have not been determined by the Board to be permissible for bank holding companies or otherwise exempt under the Act or Regulation Y, indicate: (i) specific plans for divestiture of such companies; (ii) specific plans for termination of such activities; or (iii) specifically and in detail the reason(s), in the opinion of

Applicant, such activities may be determined by the Board, pursuant to section 4(c)(8) of the Act, to be closely related to banking and reasonably expected to produce net public benefits; and

- e. Location of all nonbanking offices to be acquired. (Unless otherwise noted, it is presumed that Applicant seeks approval to conduct the nonbanking activities involved in the proposed transaction throughout the United States.)
2. Provide a detailed description of the proposed transaction. Such description shall include, but is not necessarily limited to, the following:
 - a. The number and percentage of each class of shares to be acquired, or the proportion of assets to be acquired and liabilities to be assumed, or a measure of the partnership or other indicia of ownership to be obtained;
 - b. The number of shares of each class of Company now owned or under option by Applicant, by subsidiaries of Applicant, by principals¹ of Applicant, or by trustees for the benefit of Applicant, its subsidiaries, or their shareholders and employees as a class;
 - c. The percentage of ownership of all banks and companies, both domestic and foreign, in which Company directly or indirectly owns or controls more than 5 percent of the outstanding shares;
 - d. The amount proposed to be paid by Applicant in cash and source of funding, number of and class of Applicant's shares to be exchanged together with the exchange ratio, or terms of other consideration; and
 - e. The expiration dates of any contractual arrangement between the parties involved in this application.

1. The term principal as used herein means any individual or corporation that (1) owns, directly or indirectly, 10 percent or more of the outstanding shares of any class; (2) is a director, trustee, partner, or executive officer; or (3) with or without ownership interest, participates, or has the authority to participate in major policy-making functions, whether or not the individual has an official title or is serving without compensation. If Applicant believes that any such individual should not be regarded as a principal, Applicant should so indicate and give reasons for such opinion.

Requested Information

Financial and Managerial Information

3. a. Provide parent company only and consolidated balance sheets for Applicant.² The balance sheets should be as of the end of the most recent fiscal quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by footnotes) reflecting the proposed acquisition; and the resulting pro forma balance sheets. If the acquisition will be made by a subsidiary of Applicant, also submit a pro forma balance sheet for that subsidiary. Goodwill and all other intangible assets should be set out separately on the balance sheet according to type of intangible. Also, indicate the amortization period for any intangible asset and the accretion period of any purchase discount on the balance sheet;
- b. If the total consolidated assets of Applicant exceed \$150 million, provide the amount, maturity, and a brief description of any outstanding debt instruments. Indicate which instruments qualify under the risk-based capital guidelines as tier 2 capital for the consolidated organization. This information can be provided in a footnote to the consolidated balance sheet;
- c. Material changes between the date of the balance sheets and the date of the application should be disclosed. If there are no material changes, a statement to that effect should be made; and
- d. Provide for Applicant, on a consolidated basis (if pro forma total consolidated assets of the organization exceed \$150 million), a breakdown of the organization's existing and pro forma risk-adjusted assets as of the end of the most recent fiscal quarter, showing each principal group of on- and off-balance sheet assets and the relevant risk-weight. Also, identify the existing and pro forma components of tier 1 and tier 2 capital pursuant to the risk-based capital guidelines as of the end of the most recent fiscal quarter, and provide calculations of Applicant's existing and pro forma tier 1

2. If Applicant's pro forma consolidated assets are less than \$150 million and if Applicant does *not* intend to either engage in a leveraged nonbank activity or issue publicly held debt, Applicant need not submit consolidated balance sheets. All other applicants will be evaluated on a consolidated basis.

and total capital to risk-adjusted assets, as well as the leverage ratio.

4. Provide for Applicant and Company:
 - a. Plans to issue additional equity or long-term debt. Include any debt that Applicant will incur or assume in the proposal. Also, include a copy of any loan commitment letter, indicating the amount and purpose;
 - b. Cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement, if Applicant will incur or assume any debt in this proposal and parent company long-term debt will exceed 30 percent of parent company equity capital accounts on a pro forma basis. For example if Applicant projects that dividends from subsidiary banks will be utilized to service parent company debt, provide projections of assets, tier 1 and total capital ratios pursuant to the risk-based capital guidelines as well as the leverage ratio, earnings, and dividends for Applicant's subsidiary banks (if the combined assets of the subsidiary banks exceed \$500 million, subsidiary bank data can be shown on an aggregate basis). Explain the methods and assumptions utilized in the projections, and support all assumptions that deviate from historical performance.
5. Provide for Company:
 - a. Consolidated balance sheets and income statements for the past three fiscal years-ends as well as for the most recent fiscal quarter (comparative with the preceding year's quarter);
 - b. A copy of the most recent quarterly and annual report prepared for shareholders; and
 - c. Provide projections of principal groups of assets and liabilities and earnings (detailing income and expenses as to source and type) to be attributed to the proposed nonbanking activities for the next three years of operation. Describe methods and assumptions that deviate from historical performance. Indicate the source of funds to support the proposed nonbanking activity for the next three fiscal years of operation.
6. List any changes in management or other principal relationships for Applicant and Company that will

Requested Information

result from the proposal. For any existing or proposed principal of Applicant or Company that is also a principal of any other depository institution, or depository institution holding company,³ provide the following information:

- a. Name, address, and title or position with Applicant, Company, and the other depository institution or depository institution holding company (give the name and location of other depository institution or depository institution holding company);
- b. Number and percentage of each class of shares of Applicant and Company owned, controlled, or held with power to vote by this individual;⁴
- c. Principal occupation if other than with Applicant or Company; and
- d. Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent or more of any class of shares. (Information that has been collected or updated within the past 12 months may be submitted, unless Applicant has reason to believe that such information is incorrect.)

Competition and Public Benefits

NOTES: Applicant should contact the appropriate Reserve Bank to determine whether a response to Item 7 is necessary. If a response is required, Applicant should obtain a preliminary definition of the relevant product and geographic markets from the Reserve Bank. If Applicant disagrees materially with the Reserve Bank's preliminary definition of the relevant market(s) it may, in addition to supplying the information requested on the basis of the Reserve Bank's definition of the relevant market(s), include its own definition of the relevant

3. For purposes of this application, a "depository institution" is defined as a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union.

4. Include shares owned, controlled or held with power to vote by principal's spouse and dependents. Give record ownership and, to the extent information is available, beneficial ownership of shares held by trustees, nominees, or in street names.

market(s), with supporting data, and answer the questions based on its definition. If later analysis leads Federal Reserve System staff to significantly alter the preliminary definition provided, Applicant will be so informed.

If Company has subsidiaries, the information requested for Company should also be provided for each subsidiary.

7. Provide the following information:

- a. Each location where Company conducts business. For each location, describe lines of business activity conducted and provide the aggregate dollar amount of business volume for each of the past three fiscal years. Also, provide a list of known competitors for each line of business at each location. Include available data to enable a comparison by size, profitability and/or market share between Company and its major competitors;
 - b. If Applicant (or any subsidiary in which Applicant directly or indirectly owns 5 percent of the outstanding voting shares) engages in any of the same lines of business activity as Company or its subsidiaries, provide (i) the location of each of Applicant's banking and nonbanking subsidiaries that derives business from the market areas of Company; (ii) the location of each of Company's offices that derives business from Applicant's market areas; (iii) and using the latest fiscal year data, an estimate of the dollar amount of business that Applicant and Company derive from each other's market areas;
 - c. If divestiture of all or any portion of any bank or nonbanking company constitutes part of this proposal, discuss in detail the specifics and timing of the divestiture; and
 - d. Discuss the effects of the proposed acquisition of Company on existing and potential competition.
8. Indicate the benefits to the public which can reasonably be expected to result from the proposal, including such factors as greater convenience, increased competition, lowered charges, and gains in efficiency. Indicate which of the new services are not currently available in the communities to be served. If any new or expanded services cited in applications submitted by Applicant within the past two years have not been implemented, state the reason(s).

Requested Information

De Novo Activities

Notice To Engage De Novo in Listed Permissible Nonbanking Activity (Section 225.25(b) of Regulation Y)

Provide the Reserve Bank with the following information, in letter form, with the cover page of the Y-4 form:

- a. Applicant: (Name)
(City and State)
- b. Company/subsidiary that will perform the activity:
(Name)
(City and State)
- c. Activity to be conducted: (A succinct but complete description of all activities, whether material or incidental, listed in order of importance. Include appropriate citation to Regulation Y for the proposed activity. If the proposal is a leveraged activity, provide the source of funding to conduct the activity.)
- d. Geographic area to be served: (If Applicant seeks approval to conduct the activity on a limited geographic basis, specify the geographic areas to be served. Otherwise, it is presumed that Applicant seeks approval to conduct this activity throughout the United States and no geographic area need be designated.)

Small Nonbanking Acquisition

Small Nonbanking Acquisition Under Expedited Procedures Utilizing Newspaper Notice (Section 225.23(f) of Regulation Y)

- a. Provide the Reserve Bank with a copy and date of published newspaper notice in substantially the same form as follows:

ABC Company (Location)

ABC Company (location) will apply under section 225.23(f) of the Federal Reserve Board's Regulation Y (49 Federal Register 794) for the Federal Reserve Board's approval under Section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8) to acquire [voting securities] or [assets] of DEF Company (location), a company engaged in (description of activity). This activity is permissible for bank holding companies.

This activity will be conducted at offices located in (city and state).

Interested persons may express their views in writing on the question whether consummation of the proposal can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Any request for a hearing on this question must be accompanied by a statement of the reasons a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

Unless otherwise noted, comments regarding this application must be received at the Federal Reserve Bank of (location) not later than 10 calendar days after publication of this notice.

- b. Also provide the Reserve Bank in letter form a brief description of the proposal including the percentage and cost of the shares to be acquired, or cost of the assets to be acquired; the book value of the assets to be acquired and the liabilities to be assumed; the source of funds for the acquisition; and the basis for the assumption that the proposal meets the criteria for expedited processing.

Small Nonbanking Acquisition Under Expedited Procedures Utilizing Federal Register Notice (Section 225.23(f) of Regulation Y)

Provide the Reserve Bank with the following information, in letter form:

- a. Applicant:
(Name)
(City and State)
- b. Method of acquisition:
[acquire shares of]
- c. Company:
(Name)
(Location of offices to be acquired—
City and State)

Requested Information

- d. Activity to be conducted:
(Description of activity)
- e. Description of the proposal:
(Percentage and cost of the shares to be acquired, or cost of the assets to be acquired; the book value of the assets to be acquired and the liabilities to be assumed; and the source of funds for the acquisition.)
- f. Basis for assumption that the proposal meets the criteria for expedited processing.