

**Supporting Statement for the
Federal Reserve Membership Application (FR 2083-2083C; OMB No. 7100-0046)
and the Federal Reserve Bank Stock Applications
(FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087; OMB No. 7100-0042)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with minor revisions, the following application forms:

- Application for Membership in the Federal Reserve System (FR 2083-2083C; OMB No. 7100-0046);
- Federal Reserve Bank Stock Applications (OMB No. 7100-0042):
 - Application for Adjustment in the Holding of Federal Reserve Bank Stock (FR 2056);
 - Member Banks Converting into or Merging into Nonmember Banks (FR 2086a).

The Federal Reserve also proposes to extend for three years, without revision, the following application forms:

- Federal Reserve Bank Stock Applications (OMB No. 7100-0042):
 - De Novo National Banks (FR 2030);
 - Nonmember State Banks Converting into National Banks (FR 2030a);
 - Member Banks in Voluntary Liquidation (FR 2086);
 - Insolvent Member Banks (FR 2087).

The application for membership (FR 2083) is a required one-time submission that collects the information necessary for the Federal Reserve to evaluate the statutory criteria, outlined in section 9 of the Federal Reserve Act, for admission of a new or existing state bank into membership in the Federal Reserve System. There have been no material changes in the underlying standards over the last three years. Accordingly, the proposed revisions have been developed generally to clarify existing information requirements and to emphasize information that may be critical for assessing an individual proposal (particularly the biographical and financial information that is expected of certain individuals associated with a membership proposal). The forms also would be modified to reflect the inclusion in May 2004 of substantial applications guidance and related reference material on the Federal Reserve's public website. The proposed revisions would improve consistency among all application forms and reduce the potential for processing delays associated with inadequate data. The current applications and instructions, marked to show the proposed revisions, are provided as Attachment 1.

The FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087 stock application forms are required by the Federal Reserve Act and Regulation I. These forms must be used by a new or existing member bank (including a national bank) to request the issuance, and adjustment in, or cancellation of Federal Reserve Bank stock. The forms must contain certain certifications by the applicants, as well as certain other financial and shareholder data that is needed by the

Federal Reserve to process the request. Each of the proposed revisions is intended to facilitate and clarify for a member bank the overall process of maintaining a Federal Reserve stock account. Copies of the proposed forms reflecting minor revisions are provided in Attachment 2.

The total annual reporting burden for the membership form is estimated to be 320 hours, while the total annual reporting burden for the stock forms is 840 hours. Given the technical nature of the proposed revisions, the current annual burden associated with each of the forms is expected to remain unchanged.

Background and Justification

State-chartered banks may elect to be members of the Federal Reserve System if they meet the standards for membership established by the Federal Reserve. National banks automatically become members of the Federal Reserve System upon being chartered by the Office of the Comptroller of the Currency.

When acting upon a membership application filed by a state-chartered bank, the Federal Reserve is required under Section 9 of the Federal Reserve Act to consider the financial condition of the applying bank, the general character of its management, and whether or not the corporate powers to be exercised are consistent with the Federal Reserve Act. The other relevant criteria established by the statute (as well as Regulation H) include the adequacy of capital, financial history and condition, future earnings prospects, and the convenience and needs of the community(ies) to be served. Information requested of a new bank (such as deposits and earnings projections, proposed premises, and the background of proposed bank officials) is not available from any source but the applicant, and certain information regarding the operation of an existing bank is also not available from any other source. The information requested in the FR 2083 application is necessary for the Federal Reserve to be able to fulfill its responsibilities with respect to admitting a bank into membership. The Federal Reserve uses the information collected through the form, along with other Federal Reserve System-generated data, to determine whether the applicant bank meets the standards for approval.

When a bank receives approval for membership in the Federal Reserve System, the bank agrees to certain conditions of membership that are contained in the approval letter. At the same time, the bank is advised that, under Section 5 of the Federal Reserve Act (as well as Regulation I), the bank must subscribe to the capital stock of the Federal Reserve Bank in whose district the head office of the member bank is located. The Federal Reserve Bank stock forms are necessary to obtain current information on the member bank's capital and surplus and to document the bank's request for an increase or decrease in its holdings of Federal Reserve Bank stock. This information is also used to verify that a request has been duly authorized and to prevent unauthorized requests for issuance or cancellation of Federal Reserve Bank stock. The forms are used exclusively by the applying banks and the Federal Reserve Banks. The information collected on these forms is not available from any other source.

Description of the Information Collection

Federal Reserve Membership Application

The four individual forms in the FR 2083 series (membership application and relevant attachments) are all one-time submissions that are used by organizing (de novo) or existing state-chartered banks to apply for membership in the Federal Reserve System:

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| FR 2083 | Cover sheet, with general information and instructions detailing the information to be submitted according to the type of applicant bank. |
| FR 2083A | Application form for the purchase of Federal Reserve Bank stock by state banks (except mutual savings banks) and by national banks converting into state member banks. |
| FR 2083B | Application form for the purchase of Federal Reserve Bank stock by mutual savings banks authorized to purchase Federal Reserve Bank stock, and by mutual savings banks that have been admitted to membership upon deposit of the appropriate amount with the Federal Reserve in lieu of the purchase of Federal Reserve Bank stock. |
| FR 2083C | Certificate of Organizers or Directors certifying that the initial and any supplemental information submitted is true and complete. |

Federal Reserve Bank Stock Applications

Any national bank wanting to purchase stock in the Federal Reserve System, any member bank wanting to increase or decrease its Federal Reserve Bank stock holdings, or any bank wanting to cancel its stock holdings must file an application with the appropriate Federal Reserve Bank.

The application forms for the initial subscription of Federal Reserve Bank stock filed by organizing national banks and nonmember state banks converting to national banks (FR 2030 and 2030a, respectively) and the application forms for the cancellation of Federal Reserve Bank stock filed by liquidating member banks, member banks merging or consolidating with nonmember banks, and insolvent member banks (FR 2086, 2086a, and 2087, respectively) require one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction,
- an indication of the capital and surplus of the bank as of the date of application,
- a certification (by official signatures) of the resolution, and
- an indication of the number of shares and dollar amount of the Federal Reserve Bank stock to be purchased or canceled.

State-chartered banks and mutual savings banks do not use the FR 2030 or FR 2030a applications to purchase stock because the required information is collected on the FR 2083 application forms.

The application form for an interim adjustment in a member bank's holdings of Federal Reserve Bank stock (FR 2056) requires:

- an indication of the capital and surplus of the bank as of the date of application, and
- an indication of the number of shares held and the number of shares to be acquired or canceled.

A completed application form must be submitted for each required adjustment. Any member bank must use the FR 2056 to correct a discrepancy between the amount of Federal Reserve Bank stock required to be held and the amount actually held by the member bank. The latter is determined by the Federal Reserve through its monitoring of the bank's capital accounts reported quarterly on the Consolidated Reports of Condition and Income (Report of Condition) (FFIEC 031 and 041; OMB No. 7100-0036). The Federal Reserve Bank stock applications are distributed by the Federal Reserve Banks and the information collected enables them to account for required subscription payments to the System and for dividends paid by the System on any outstanding stock.

Proposed Revisions to the Membership Application Form

The FR 2083 application form continues to rely, to the extent possible, on information that an applicant may already have developed through completion of the Interagency Charter and Federal Deposit Insurance Application form. The proposed revisions to the current FR 2083 are intended to facilitate processing by suggesting various best practices and identifying information that is critical to a complete understanding of a specific proposal.

Section I of the FR 2083 form has been modified to reflect the Federal Reserve's fingerprint requirement, which differs from that of the other banking agencies. Section II has been modified to clarify certain information that needs to be submitted with a membership proposal. Information about recent or contemplated changes in the management, ownership, or the business plan of an existing bank must be known before action can be taken on a related membership application. Not providing this information in the initial filing often extends or otherwise delays review and final action on a membership proposal. The proposed new questions in Section II about new principal ownership, anticipated changes in management of applicant (or applicant's parent company), and management plans for the bank do not represent new information requirements, but rather information that has always been gathered as part of the overall review of a membership proposal.

The FR 2083A and 2083B would be modified so that they request the same capital and surplus data (as of the bank's most recent Report of Condition or a contemplated merger or consolidation date) as requested in the FR 2030. The FR 2083B also would be modified to eliminate a reference to the most recent examination of the applying bank by the Reserve Bank;

it would now refer only to the most recent Report of Condition for deposit information. The FR 2083C would be modified to include more signature lines as the current four lines are often not sufficient.

Three sections of the General Information and Instructions of the FR 2083 would be modified to recognize new sources of available information, provide other practical advice to an applicant, and ensure further consistency with other applications. The Preparation of Application section has been modified to reflect that the Federal Reserve's public website now contains substantial filing information, including relevant regulations, which an applicant may find helpful when preparing a membership filing. As in other application filing instructions, the applicant is encouraged to consult with the appropriate Federal Reserve Bank about the informational needs of a specific membership proposal. The section also recognizes a new requirement adopted by the Federal Reserve in May 2003 that an individual associated with a banking proposal may need to submit fingerprint cards as part of the name check process. Also, to ensure proper handling of a filing, applicants are encouraged to clearly identify when expedited processing is being sought. All of the proposed revisions to the Confidentiality and Compliance sections are to ensure consistency with the bank holding company application and notifications forms.¹

Proposed Revisions to the Stock Application Forms

No changes are contemplated to four of the remaining six forms (the FR 2030, 2030a, 2086, and 2087), and the changes proposed for the other two forms (the 2056, and 2086a) are generally technical in nature. The proposed changes would facilitate the processing of each requested action and ensure better consistency across all of the forms.

The FR 2056 and its attachment would be modified to allow for their usage by a mutual savings bank (which currently has no adjustment form) and to ensure that the correct capital and surplus data is provided when the requested adjustment relates to a proposed merger or consolidation. The modifications would allow this form to be used by a member bank that survives the merger or consolidation of two member banks, an adjustment not clearly addressed by the current stock forms. The FR 2086a also would be slightly modified to reflect that it could be used by a member bank that is eliminated during the merger or consolidation of two member banks for the cancellation of its Federal Reserve Bank stock.

Time Schedule for Information Collection

Submission of these applications is event generated. The FR 2083 is filed by a new or existing bank when it wishes to become a member of the Federal Reserve System. Membership applications are usually acted upon within 60 days after filing. Expedited membership

¹ The Application for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-3), the Notification for Prior Approval to Become a Bank Holding Company or for a Bank Holding Company to Acquire an Additional Bank or Bank Holding Company (FR Y-3N), and the Notification for Prior Approval to Engage Directly or Indirectly in Certain Nonbanking Activities (FR Y-4) (OMB No. 7100-0121).

applications are usually acted upon within 15 days after filing. The FR 2086, 2086a, and 2087 are usually submitted 30 calendar days after the event triggering the need for cancellation of a bank's Federal Reserve Bank stock. The FR 2056 must be filed promptly after the first report of condition that reflects the increase or decrease, or as necessitated by a merger or other consolidation. The FR 2030 must be submitted by a national bank while in the process of organizing, and the FR 2030a must be submitted by a nonmember state bank while in the process of converting to a national bank. These applications are usually acted upon under delegated authority by the Federal Reserve Banks within two to four days after filing. The information in the applications is not published.

Legal Status

The Board's Legal Division has determined that the applications are authorized as follows:

- FR 2030 and FR 2030a: Section 2 of the Federal Reserve Act [12 U.S.C. §§ 222 and 282] and Sections 9 and 11(a) of the Federal Reserve Act [12 U.S.C. §§ 248(a) and 321]
- FR 2056: Section 5 of the Federal Reserve Act [12 U.S.C. § 287] and Sections 11(a) and (i) of the Federal Reserve Act [12 U.S.C. §§ 248(a) and (i)]
- FR 2083-FR 2083C: Section 9 of the Federal Reserve Act [12 U.S.C. §§321, 322, and 333]
- FR 2086: Section 5 of the Federal Reserve Act [12 U.S.C. § 287] and Sections 11(a) and (i) of the Federal Reserve Act [12 U.S.C. §§ 248(a) and (i)]
- FR 2086a: Section 9 of the Federal Reserve Act [12 U.S.C. § 321], Section 5 of the Federal Reserve Act [12 U.S.C. § 287], and Section 11(a) of the Federal Reserve Act [12 U.S.C. § 248(a)]
- FR 2087: Section 6 of the Federal Reserve Act [12 U.S.C. § 288] and Sections 11(a) and (i) of the Federal Reserve Act [12 U.S.C. §§ 248 (a) and (i)]

Most of this information is not considered confidential. Applicants may, however, request that parts of their membership applications be kept confidential, but in such cases the applicant must justify its request by demonstrating that disclosure would cause "substantial competitive harm" or result in "an unwarranted invasion of personal privacy." Because the confidentiality status of the information submitted will be judged on a case-by-case basis, the forms themselves raise no issues under the Freedom of Information Act, (5 U.S.C. §552).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

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

Estimate of Respondent Burden

As shown in the following table, the current annual reporting burden for the FR 2083 is estimated to be 320 hours. The burden for the membership application represents less than 1 percent of total Federal Reserve System reporting burden.

The total reporting burden for the Federal Reserve Bank Stock applications is estimated at 840 hours, and the burden is not expected to change. The burden for the stock applications represents less than 1 percent of the total Federal Reserve System reporting burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Membership Applications:</i>				
FR 2083, A, B, and C	80	1	4.0	320
<i>Stock Applications:</i>				
FR 2030	54	1	.5	27
FR 2030a	25	1	.5	13
FR 2056	1,550	1	.5	775
FR 2086	7	1	.5	4
FR 2086a	37	1	.5	19
FR 2087	4	1	.5	<u>2</u>
<i>Total</i>				840

The estimated annual cost to the public for the proposed Federal Reserve membership applications is \$16,000, based on a rate of \$50 per hour (the estimate of the average hourly cost of bank officers and outside legal counsel). The estimated annual cost to the public for the proposed Federal Reserve Bank stock applications is \$25,200, based on an hourly rate of \$30.

Estimate of Cost to the Federal Reserve System

The applications are not automated, and there are no data processing costs associated with them. Costs to print and mail the applications are minimal.