

**Supporting Statement for the
Notice of Change in Bank Control,
Interagency Notice of Change in Director or Senior Executive Officer, and
Interagency Biographical and Financial Report
(FR 2081a,b,c; OMB No. 7100-0134)**

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 mandatory Interagency Notice of Change in Bank Control, the Interagency Notice of Change in Director or Senior Executive Officer, and the Interagency Biographical and Financial Report (FR 2081a,b,c; OMB No. 7100-0134). These event-generated notifications are submitted by bank holding companies (BHCs), state member banks, and individuals prior to changes in ownership or management.

The information collected on the subject forms assists the Federal Reserve Board, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) in fulfilling their statutory responsibilities. The regulatory agencies use the information to evaluate a depository institution's controlling owners and its senior officers and directors. The information collected in the Interagency Notice of Change in Bank Control (FR 2081a) is supplied by persons proposing to make significant investments in BHCs or depository institutions. The information collected in the Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b) is required under Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The notice is completed, under certain circumstances, by a BHC or depository institution making changes in its board of directors or senior executive officers. The Interagency Biographical and Financial Report (FR 2081c) is not a stand-alone report; it is used as a companion report with other reports to gather required information about the individuals involved in certain types of applications and notifications.

Although the regulatory agencies are proposing minor revisions and clarifications to the FR 2081a and FR 2081c, the agencies do not expect overall respondent burden to increase. Draft copies of the proposed forms and instructions are attached.

Background and Justification

The Notice of Change in Bank Control originated in 1979 as a result of the enactment of the Change in Bank Control Act of 1978 (12 U.S.C. 1817(j)). Under the Change in Bank Control Act, an individual, a group, or a company that proposes to acquire control of a depository institution or its holding company must submit prior notice of that intent to the appropriate regulatory agency. The regulatory agencies use the information from the FR 2081a, FR2081b, and FR 2081c to evaluate the qualifications of specific individuals organizing, acquiring control, or managing a financial institution to ensure that the proposed transactions are permissible under law and regulation and are consistent with safe and sound banking practices. One of the major objectives of the Change in Bank Control Act is to prevent serious adverse effects resulting from

unsuitable ownership of, inadequate financial support for, and unsuitable management of insured depository institutions or their parent holding companies.

Under Section 914 of FIRREA, an insured depository institution that meets certain criteria is required to give prior notification on the FR 2081b to the appropriate federal banking agency of the proposed addition of any individual to the board of directors or the employment of any individual as a senior executive officer. The objective of Section 914 is to give the regulatory agencies an opportunity to object if the competence, experience, character, or integrity of the individual who seeks to be employed or otherwise associated with the institution is not in the best interests of the depositors of the institution or the public.

In 1996, a task force of representatives from the four federal bank and thrift regulatory agencies was formed to review the FR 2081 reporting process. The filing requirements were adapted and reformatted to consist of three separately titled notices: the Interagency Notice of Change in Control (FR 2081a), the Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b), and the Interagency Biographical and Financial Report (FR 2081c). The changes that were made to the instructions and reporting forms resulted in reduced burden for notificants in the interagency prior notice process.

The information requested in the FR 2081a, FR 2081b, and FR 2081c is not available from any other source and is necessary for the Federal Reserve to fulfill its responsibilities under the Change in Bank Control Act of 1978 and FIRREA.

Description of Information Collection

The FR 2081a provides notification of intent to acquire shares of an insured depository institution or its parent holding company(ies). The notice is event-generated and filed with the appropriate federal regulatory agency. The notice requires personal and financial information about the acquirer(s), the purchase price for the proposed transaction, and the terms and conditions of the acquisition.¹

The FR 2081b is used by an insured depository institution or its parent holding company(ies) to notify the appropriate regulatory agency of a proposed change in the board of directors or senior executive officer of such institution or holding company(ies). A notice of change is required if the depository institution is viewed to be in troubled condition by its primary federal regulatory agency. The requirement is applicable to a depository institution or its holding company that is not in compliance with all minimum capital requirements, is in troubled condition or, otherwise, is required by the Federal Reserve to provide such notices.

The FR 2081c must be submitted by certain shareholders, directors, and executive officers, in connection with various applications filed with the Federal Reserve System. Information

¹ In considering a notice filed under the Change in Bank Control Act of 1978, the Federal Reserve must evaluate the following factors: the financial condition of the acquiring parties and of the holding company or bank to be acquired; the competence, experience, and integrity of the acquiring parties and of any proposed new management of the holding company or bank to be acquired; and the effect of the transaction on competition. The notices require a detailed description of the proposal, as well as financial, employment, and biographical data concerning the acquiring parties.

requested on this report is subject to verification and must be complete. If the report is not complete, additional information may be requested or the filing returned.

Proposed Revision – Interagency Notice of Change in Bank Control (FR 2081a)

The agencies propose the following revisions to the Interagency Notice of Change in Bank Control:

- In question 1(a), respondents are now asked the address of the acquirer(s). This is proposed as a result of the agencies' past problems with the name check process.
- In question 1(c), respondents are now asked to provide the email address of the person to whom inquiries about the notice may be directed.
- In question 3, the term “each class of voting securities” was added to conform to the legal standards in the Change in Bank Control Act. Previously, this question did not gather the specific information required.
- In question 7(c), the term “insured depository institution” was changed to “depository institution” at the request of the OCC to take into account noninsured institutions, such as non-bank banks and trust companies.
- In question 8, the term “per class of voting securities” was added to conform to the legal standard in the Change in Bank Control Act. Previously, this question did not gather the specific information required.
- The agencies propose to add question 15 in order to gather relevant information to comply with Section 307(c) of the Gramm-Leach-Bliley Act (GLBA), which requires the appropriate regulatory agency to consult with the appropriate state insurance regulator prior to making any determination relating to the affiliation of a depository institution with a company engaged in insurance activities. Question 15 would collect information regarding the name of an affiliated insurance company, a description of its insurance activities, and the name of the state in which the company is domiciled or in which it has a resident license. An identical question was added to the Interagency Bank Merger Act Application (FR 2070; OMB No. 7100-0030) when it was renewed in 2002.
- A second paragraph was added to the Certification section at the request of the OCC to advise the filer that approval of a notice is not a binding contract.

Proposed Revisions – Interagency Biographical and Financial Report (FR 2081c)

The agencies propose the following revisions to the Interagency Biographical and Financial Report:

- The agencies propose to add definitions for certain essential terms to the General Information and Instructions section to make it easier for filers to determine whether a given request for information is applicable. Definitions were added for “associated” and “principal shareholder” to reduce the inherent ambiguity and confusion regarding terms in certain items in the form, and to make the responses more consistent throughout the whole form.
- The agencies reformatted a majority of the questions on the form to make it easier to understand the type and scope of information that must be provided. For example,

lengthy narrative questions were broken down into subparts accompanied by “yes” and “no” boxes that can be checked by filers. The agencies believe that the reformatted questions will enable the filers to more easily understand and respond to questions in the form.

- On pages 1 and 2, various questions were added to the Personal Information section where appropriate (country of residence, country code for telephone number, e-mail address, former names, aliases, and nicknames). These changes are proposed as a result of the agencies’ past problems with the name check process.
- Questions 5(a) – 5(g) were expanded to improve the agencies’ capacity to evaluate the character and integrity of a filer. For example, the agencies made each question more descriptive to clarify for filers the circumstances under which further explanatory information should be provided with the Report.
- On page 12, Schedule E – Other Assets, the term “retirement funds (401K, IRA, Keough)” was moved to the beginning of the instructions, and the 10 percent limitation was dropped by the agencies because these funds are now a more significant and prevalent part of an individual’s holdings and net worth and, therefore, should be fully reported without a 10 percent limitation.
- On page 14, the terms “income and other distributions from partnerships” and “capital contributions to partnerships” were added to the Cash Flow Statement to more fully recognize the way individuals are holding their assets and currently taking advantage of these tax preferred entities.
- On page 15, the Privacy Act Notice was expanded to comply with the additional requirements imposed by statutory changes to the Privacy Act. The additional information describes how the Freedom of Information Act (“FOIA”) would apply to applications, and provides a more complete and accurate notice to the public regarding FOIA.

Finally, the agencies propose technical corrections to the General Instructions for the FR 2081a and FR 2081c to make them uniform with other interagency forms and with other forms used by the individual agencies. Overall, the agencies believe that the proposed revisions do not substantially request more information, but rather enhance the ability of filers to provide accurate responses, and reduce the need for numerous follow-up questions.

Time Schedule for Information Collection

The FR 2081a is event-generated and must be filed at least sixty days prior to the proposed change in control. The statute provides that action on the notice must be taken within sixty days after the receipt of a complete notice by the Federal Reserve System, unless the time period is extended. The 1986 amendments to the Change in Bank Control Act permit the Board to extend the processing period of a notice for two additional periods of forty-five days for certain enumerated reasons (for example, submission of incomplete or inaccurate information by the acquiring person) after an initial one-time thirty-day extension.

The FR 2081b must be filed at least thirty days prior to certain insured depository financial institutions (or BHCs) adding a member to the board of directors or employing an individual as a senior executive officer. A proposed director or senior executive officer may begin service thirty

days after a complete notice has been reviewed by the Federal Reserve Bank unless the Federal Reserve issues a notice of disapproval of the proposed addition or employment before the end of the thirty-day period. The time period may be extended at the request of the notificant.

The FR 2081c is used by individuals in conjunction with other notices or applications, and is submitted to the appropriate regulatory agency according to deadlines associated with those other notices or applications. The report is not a stand-alone report.

Legal Status

The Board's Legal Division has determined that 12 U.S.C. 1817(j) and 12 U.S.C. 1813(q) authorize the Board to require this information collection.

The Federal Reserve treats notices as public documents. Respondents may request that parts of their notices be kept confidential, but in such cases the burden is on the respondent to justify the exemption by demonstrating that disclosure would cause "substantial competitive harm" or result in "an unwarranted invasion of personal privacy" or would otherwise qualify for an exemption under the Freedom of Information Act pursuant to exemption (b)(4) or (b)(6), 5 U.S.C. 552 (b)(4), (b)(6). The confidentiality status of the information submitted will be judged on a case-by-case basis.

Although notices of change in control are most often submitted by natural persons, the Federal Reserve files these notices under the name of the bank or holding company to be acquired; none of the information will be stored in such a way that it could be retrieved by reference to the name of the individual notificant or some number, symbol, or other identifying particular assigned to the individual. Using this approach, the collection and storage of notices of change in control will not generate a "system of records" within the meaning of the Privacy Act (5 U.S.C. 552a (e)(3)). Consequently, most of the issues that usually arise under the Privacy Act will not arise in connection with the filing of notices of change in control. Because information is being collected from individuals, the Federal Reserve is required to make certain disclosures to the notificant (5 U.S.C. 552a(e)(3)). The notice that the Federal Reserve provides on the current and proposed FR 2081 meets the requirements of the Privacy Act.

Consultation Outside the Agency

The Federal Reserve worked with representatives from the other regulatory agencies on the proposed revisions and clarifications.

Estimate of Respondent Burden

The Federal Reserve estimates the burden for the FR 2081a to be 3,600 hours annually, and the FR2081b to be 242 hours annually. The estimated response time is thirty hours for the FR2081a and two hours for the FR2081b. On average, 120 people file an FR 2081a form each year to acquire control of a bank or BHC, and 121 depository institutions or holding companies notify their regulators of a change in their boards of directors or senior executive officers on the FR 2081b.

The FR 2081c is not a stand-alone report; it is used as a companion report not only for the change in control notification but also with other reports, such as BHC formation applications and membership applications. The burden associated with filing the FR 2081c as a supplement to other applications or notifications is included with those information collections. The burden associated with filing the FR 2081c as a supplement to the FR 2081a and FR 2081b is included in the table below. On average, between three and four individuals listed on an FR 2081a or FR 2081b filing must also submit an FR 2081c report. The estimated response time for the FR2081c is four hours.

The total estimated annual burden for the FR 2081a,b,c is 7,242 hours. This represents less than one percent of total Federal Reserve System burden for all reports.

	<i>Estimated number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
2081a Change in control	120	1	30	3,600
2081b Change in officers or directors	121	1	2	242
2081c Biographical and financial	850	1	4	<u>3,400</u>
<i>Total</i>				7,242

Based on an hourly cost of \$50, the total annual cost to the public is estimated to be \$362,100.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

There are no data processing costs associated with the report; the forms are not automated and the responses are not stored electronically. Because the forms are distributed to respondents only upon request, the costs involved in their printing and mailing are minimal.