

Supporting Statement for the Domestic Branch Application (FR 4001; OMB No. 7100-0097)

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, without revision, the Domestic Branch Notification (FR 4001; OMB No. 7100-0097). The Federal Reserve System requires a state member bank to file a notification with its District Federal Reserve Bank whenever it proposes to establish a domestic branch. There is no formal reporting form; banks notify the Federal Reserve by letter prior to making the proposed investment. The Federal Reserve uses the information to fulfill its statutory obligation to obtain public comment on such proposals before acting on them, and to otherwise supervise state member banks. The current annual burden for the FR 4001 is estimated to be 599 hours for 836 respondents.

Background and Justification

Pursuant to Section 208.6, Subpart A of Regulation H, a state member bank is required to obtain Federal Reserve System approval before establishing a domestic branch. The regulation defines “branch” to include “any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or territory of the United States or in the District of Columbia at which deposits are received, or checks paid, or money lent.”¹ The Federal Reserve System requires the proponent to submit a written request to establish a branch under authority of 12 CFR Section 208.6(a) and uses this information to determine if the proposal is consistent with the public interest.

In Regulation H, the Board has defined the term “eligible bank” to serve as the qualification for expedited treatment of branch and membership applications. Eligible bank is defined in Section 208.2(e) of Regulation H as a bank that (1) is well capitalized as defined in Subpart D of Regulation H; (2) has a composite Uniform Financial Institutions Rating System (CAMELS) rating of 1 or 2; (3) has a Community Reinvestment Act rating of Outstanding or Satisfactory; (4) has a compliance rating of 1 or 2; and (5) has no major unresolved supervisory issues outstanding (as determined by the Board or appropriate Federal Reserve Bank in its discretion).²

Description of the Information Collection

The notification for a state member bank to establish a domestic branch has no required format. The state member bank is required, however, to file a letter with its District Reserve Bank that includes a very limited amount of information, such as a published notice and description of the

¹ Banks no longer file branch notifications for automated teller machines (ATMs). The Economic Growth and Paperwork Reduction Act of 1996 narrowed the definition of “branch” by excluding ATMs and remote service units. A corresponding revision included in Regulation H became effective in October 1998.

² In 1998, the Board amended Regulation H to reorganize, clarify, and reduce the burden of compliance with certain parts of the Regulation. The amendments had the following effect on the Regulation (1) deleted application procedures no longer in effect; (2) stated the requirements of the Community Reinvestment Act (CRA) in branch applications; (3) provided for expedited procedures in certain branch and membership applications; and (4) eliminated provisions that no longer had a significant effect. In addition, the Board shortened the public comment period for branch applications from thirty days to fifteen days and provided for the filing of consolidated branch applications.

proposed branch and its location. A bank that meets the criteria for expedited treatment files a newspaper notice giving the name and location of the proposed branch. Otherwise, the bank must file more detailed information addressing any outstanding issues that would not allow the notice to qualify for expedited treatment.

Under expedited processing procedures, which almost all respondents use, a state member bank proposing to establish a branch must provide a certified copy of the requisite newspaper notice publication(s) to the Reserve Bank. The newspaper comment period is fifteen calendar days, but the Board may extend the comment period for up to an additional fifteen calendar days. Sections 208.6(a)(3) and (4) of Regulation H describe the procedural rules for public notice and comment for branch applications. This procedure eliminates the need for the bank to prepare a separate notice for submission to the Federal Reserve. In order to qualify for expedited processing for branch notifications, a state member bank must meet the criteria set forth in Section 208.2(e) of Regulation H. State member banks that are not eligible for the expedited procedures will be notified by their District Reserve Bank and will be required to file additional, more detailed information addressing any outstanding issues before establishing a branch.

No objection is made to the notification if the bank is in satisfactory financial condition and the establishment of the proposed branch is deemed consistent with the public interest. The Reserve Bank approves the notification in writing.

Regulation H also has a provision for the filing of consolidated branch applications. Under this provision, a member bank may seek approval in a single application or notice for any branches that it proposes to establish within one year after the approval date. Unless notification is waived, the bank notifies the appropriate Federal Reserve Bank no later than thirty days after opening any branch approved under the consolidated application. A bank is not required to open a branch approved under either a consolidated or single branch application. Branch approvals granted under this provision remain valid for one year unless the Board or the appropriate Federal Reserve Bank notifies the bank that there has been a change in the bank's condition that warrants reconsideration of the approval.

Time Schedule for Information Collection

This information collection is event generated. The notification must be filed prior to a state member bank establishing a branch. Under the expedited branch notification procedure, authorization is granted between three and five business days after the end of the newspaper comment period, unless an issue is identified prior to that time. In no case would an expedited branch application be approved prior to the third business day after the end of the public comment period. A branch notification that is presented to the Board usually is acted on within sixty days of its receipt. A branch notification that is processed for action by the Secretary of the Board usually is approved within thirty days of its receipt.

Legal Status

The Board’s Legal Division has determined that 12 U.S.C. § 321 authorizes the Board to require this notification. The individual respondent information in the notification is not considered confidential.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Estimate of Respondent Burden

The FR 4001 annual reporting burden estimate is based on the average number and type of notifications processed in 2002. The respondent burden is estimated to average one-half hour for expedited notifications and one hour for nonexpedited notifications. The present annual burden is estimated to be 599 hours, which is less than 1 percent of the total Federal Reserve System burden.

	<i>Number of Respondents</i>	<i>Estimated Annual Frequency</i>	<i>Estimated Average Hours Per Response</i>	<i>Estimated Annual Burden Hours</i>
Expedited	474	1	0.50	237
Nonexpedited	362	1	1.00	362
<i>Total</i>	<u>836</u>			<u>599</u>

The estimated annual cost to the public is \$29,950. The cost per hour is estimated at \$50, based on the assumption that the notification is prepared by a bank officer.

Sensitive Questions

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

Estimated Cost to the Federal Reserve System

Annual costs associated with providing the instructions for this notice are negligible. There are no mailing or printing costs incurred by the Federal Reserve System in administering this notice.