

**Supporting Statement for the
Reports Related to Securities of State Member Banks as Required by Regulation H
(Reg H-1; OMB No. 7100-0091)**

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 Reports Related to Securities of State Member Banks as Required by Regulation H (Reg H-1; OMB No. 7100-0091).

Regulation H requires certain state member banks (SMBs) to submit information relating to their securities to the Board of Governors of the Federal Reserve System on the same forms that bank holding companies (BHCs) and nonbank entities use to submit similar information to the Securities and Exchange Commission (SEC). The frequency of reporting varies, depending on the SEC form. The information is primarily used for public disclosure and is available to the public upon request. The Appendix of this document lists the SEC forms that are specified by the securities disclosure and reporting requirements embodied in Regulation H.

In May 2003, the SEC amended its rules to implement electronic filing requirements imposed by the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) for Forms 3, 4 and 5. The Federal Reserve is currently working on an interim final rule that will clarify these electronic filing requirements for registered SMBs. The annual reporting burden for these reports is estimated to be 1,390 hours.

Background and Justification

Section 12(i) of the Securities Exchange Act of 1934 (1934 Act) requires SMBs with 500 or more shareholders and more than \$10 million in total assets or those having a class of securities listed on a national exchange to make certain public disclosures to the Federal Reserve Board under regulations that are "substantially similar" to those of the SEC. In order to comply with the "substantially similar" requirement of the 1934 Act and to avoid having to amend its rules whenever SEC rules are changed, the Federal Reserve in 1987 amended its rules to provide that SMBs subject to the 1934 Act must file those forms and reports set forth in the SEC's rules for entities subject to SEC regulation.

The disclosures required by the 1934 Act provide the public with material financial information about the securities of reporting companies, alert the public to ownership changes in and tender offers for those securities, and provide shareholders with information relevant to the solicitation of proxies.

Description of Information Collection

Under section 208.36 of Regulation H, SMBs are subject to the reporting requirements of the 1934 Act and must file the same forms and reports that the SEC, pursuant to the 1934 Act, requires of BHCs and nonbank entities. Therefore, SMBs are required to review the various SEC rules, regulations, releases, and forms to determine appropriate filing requirements. The use of SEC forms affects respondent banks in three ways. First, respondents are required to submit audited financial statements. Second, respondents are required to include a "management's discussion and analysis of financial condition and results of operations," as required by the SEC's Regulation S-K. Third, by submitting reports based on SEC rules, banks file reports consistent with those of other public companies and improve the usefulness to users.

In order to reduce burden on small businesses, the SEC adopted Regulation S-B, which sets forth the financial statement and disclosure requirements for small businesses filing under the 1934 Act. A small business (including a bank) is defined as a company whose annual revenue was less than \$25 million in its most recent fiscal year *and* whose aggregate market value of voting stock held by nonaffiliates is less than \$25 million.

Small SMBs may further reduce their reporting burden by electing to substitute the quarterly financial statements they submit as part of their Consolidated Reports of Condition and Income (Call Report; FFIEC 031 and 041; OMB No. 7100-0036) in lieu of the financial statements the SEC requires in its Form 10-Q quarterly reports. This election is available to any SMB that has no foreign offices (FFIEC 041 filers only) and that controls total assets of less than \$150 million. Unlike entities subject to the SEC's requirements, small banks electing this option do not need to include any interim statements of cash flow or comparative balance sheets and income statements from prior fiscal years. However, these banks shall include earnings per share or net loss per share prepared in accordance with generally accepted accounting principles and shall disclose any material contingencies. Of the sixteen SMBs subject to these reporting requirements, two currently submit copies of their Call Report as part of the Form 10-Q.

Time Schedule for Information Collection

Most publicly held banking organizations are subsidiaries of BHCs, which file this information with the SEC.

State member banks that are subject to section 208.36 of Regulation H must file securities forms and reports at the times indicated below. While this information is available for public inspection, the Federal Reserve publishes no information from these reports.

- Form 10-Q (or Form 10-QSB for smaller banks) quarterly reports for the first three fiscal quarters are due by May 15, August 15, and November 15 (for the quarters ending March 31, June 30, and September 30, respectively).
- Form 10-K (or Form 10-KSB for smaller banks) annual report is due by March 31 (for the year ending December 31).

- Form 8-K (Current Report) is required when certain material events occur, generally within fifteen days of the event. It would contain more current information than Forms 10-K and 10-Q.
- A proxy (Schedule 14A) is generally filed annually, prior to the bank's shareholder's meeting.
- Form 3 (Initial Statement of Beneficial Ownership of Securities) must be filed by every director or officer, upon initial appointment, or by every shareholder when his or her equity position reaches 10 percent or more of the bank.
- Any person who has previously filed Form 3 must file Form 4 (Statement of Changes of Beneficial Ownership of Securities) for any month in which his or her ownership position changes. (Taken together, on average, eleven of Forms 3 and 4 are filed by each bank per year).
- Form 5 is the Annual Statement of Beneficial Ownership of Securities.
- All other forms are event generated and are filed on occasion.

Sarbanes-Oxley amended section 16 of the Exchange act to require the electronic filing of section Forms 3, 4 and 5. Currently, the Federal Reserve is working on an interim final rule, which will require registered SMBs to file these forms electronically and make the filings available on the Internet no later than the end of the business day following the filing.

Legal Status

The Federal Reserve Board's Legal Division has determined that 15 U.S.C. §781(i) authorizes the Federal Reserve to require these reports. The information collected is not considered confidential.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

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

Estimate of Respondent Burden

The current burden for this report is estimated to be 1,390 hours annually, as shown below. This represents less than 1 percent of total annual Federal Reserve System reporting burden. The number of respondents is estimated based on actual reports filed in 2003. It also reflects the number of SMBs that file these reports for themselves and their officers and directors, as

appropriate. On average, each SMB files seventeen reports a year. This average includes required quarterly and annual reports as well as those that are event generated.

<i>Number of respondents</i>	<i>Average annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
16	17	5.11	1,390

Based on a rate of \$20 per hour, the estimated cost to the public for this report is \$27,800.

Estimated Cost to the Federal Reserve System

The annual cost to the Federal Reserve System for collecting this information is negligible.

Appendix

**SEC Forms Specified by the Securities and Exchange Commission
Reporting Requirements Embodied in Regulation H (§208.16)**

<i>SEC Form</i>	<i>Authorizing Regulation & Description</i>
Form 10	17 CFR 249.210 This is the general form for registration of securities pursuant to section 12(b) or (g) of the 1934 Act of classes of securities of issuers for which no other form is prescribed. It requires certain business and financial information about the issuer.
Form 10-SB	17 CFR 249.210b This is the optional form for registration of securities of "small business" issuers pursuant to section 12(b) or (g) of the 1934 Act of classes of securities for which no other form is prescribed. It requires certain business and financial information about the issuer that is more simplified than that required in the Form 10.
Form 10-K	17 CFR 249.310 This is the annual report that most reporting companies file. It provides a comprehensive overview of the registrant's business, and includes audited annual financial statements. The report must be filed within 90 days after the end of the company's fiscal year.
Form 10-KSB	17 CFR 249.310b This is the optional annual report that banks qualifying as "small businesses" file. It provides a comprehensive overview of the registrant's business, but is more simplified than that required in Form 10-K. The report must be filed within 90 days after the end of the company's fiscal year.
Form 8-K	17 CFR 249.308 This is the "current report" that is used to report the occurrence of any material events or corporate changes which are of importance to investors or security holders and previously have not been reported by the registrant. It provides more current information on certain specified events than would Forms 10-Q or 10-K.
Form 10-Q	17 CFR 249.308(a) The Form 10-Q is a report filed quarterly by most reporting companies. It includes unaudited financial statements and provides a continuing overview of major changes in the company's financial position during the year, as compared to the prior corresponding period. The report must be filed for each of the first three fiscal quarters of the company's fiscal year and is due within 45 days of the close of the quarter.
Form 10-QSB	17 CFR 249.308b The Form 10-QSB is an optional report filed quarterly by those reporting banks qualifying as small businesses. It includes unaudited financial statements and provides a continuing view of the company's financial position during the year. The report must be filed for each of the first three fiscal quarters of the company's fiscal year and is due within 45 days of the close of the quarter.
Schedule 14A (proxy statement)	17 CFR 240.14a-2.14a-11 State law governs the circumstances under which shareholders are entitled to vote. When a shareholder vote is required and any person solicits proxies with respect to securities registered under Section 12 of the 1934 Act, that person generally is required to furnish a proxy statement containing the information specified by Schedule 14A. The proxy statement is intended to provide security holders with the information necessary to enable them to vote in an informed manner on matters intended to be acted upon at security holders' meetings, whether the traditional annual meeting or a special meeting. Typically, a security holder is also provided with a "proxy card" to authorize designated persons to vote his or her securities on the security holder's behalf in the event the holder does not vote in person at the meeting. Copies of definitive (final) proxy statements and proxy card are filed at the time they are sent to security holders. Certain preliminary proxy filings relating to mergers, consolidations, acquisitions and similar matters are non-public upon filing; all other proxy filings are publicly available.

Form 12b-25	<p>17 CFR 249.322</p> <p>This form shall be filed by issuers who are unable to file timely, all or any required portion of an annual, quarterly, or transition report (Forms 10-K, 10-KSB, 10-Q, 10-QSB, etc.). This report shall be filed not later than one business day after the due date for the periodic report in question.</p>
Forms 3, 4 and 5	<p>17 CFR 249.103 (Form 3), 249.104 (Form 4), and 249.105 (Form 5)</p> <p>Every director, officer or owner of more than ten percent of a class of equity securities registered under Section 12 of the 1934 Act must file with the Commission a statement of ownership regarding such security. The initial filing is on Form 3 and changes are reported on Form 4. The Annual Statement of beneficial ownership of securities is on Form 5. The forms contain information on the reporting person's relationship to the company and on purchases and sales of such equity securities.</p>
Form 8B	<p>17 CFR 249.208b</p> <p>This specialized registration form may be used by certain issuers with no securities registered under the 1934 Act that succeed to another issuer which had securities so registered at the time of succession.</p>
Schedule 13D	<p>17 CFR 240.13d-101</p> <p>This Schedule discloses beneficial ownership of certain registered equity securities. Any person or group of persons who acquire a beneficial ownership of more than 5 percent of a class of registered equity securities of certain issuers must file a Schedule 13D reporting such acquisition together with certain other information within ten days after such acquisition. Moreover, any material changes in the facts set forth in the Schedule generally precipitates a duty to promptly file an amendment on Schedule 13D. The Commission's rules define the term "beneficial owner" to be any person who directly or indirectly shares voting power or investment power (the power to sell the security).</p>
Schedule 13G	<p>17 CFR 240.13d-102</p> <p>Schedule 13G is a much abbreviated version of Schedule 13D that is only available for use by a limited category of "persons" (such as banks, broker/dealers, and insurance companies) and even then only when the securities were acquired in the ordinary course of business and not with the purpose or effect of changing or influencing the control of the issuer.</p>
Schedule 14D-9	<p>17 CFR 240.101</p> <p>This schedule must be filed when an interested party, such as an issuer, a beneficial owner of securities, or a representative of either, makes a solicitation or recommendation to the shareholders with respect to a tender offer which is subject to Regulation 14D.</p>
Schedule 14D-1	<p>17 CFR 240.14d-100</p> <p>Any person, other than the issuer itself, making a tender offer for certain equity securities registered pursuant to Section 12 of the 1934 Act, is required to file this schedule if acceptance of the offer would cause that person to own over 5 percent of that class of the securities. This schedule must be filed and sent to various parties, such as the issuer and any competing bidders. In addition, Regulation 14D sets forth certain requirements that must be complied with in connection with a tender offer.</p>
Form 10-C	<p>17 CFR 249.310c</p> <p>This form is filed by any issuer of securities which are registered under section 12(g) of the 1934 Act or which are subject to 15(d) of the Act, after (1) such issuer has been notified that any class of its securities is to be quoted on the NASDAQ interdealer quotation system, reporting thereon any aggregate increase or decrease in the amount of its securities whose change exceeds 5 percent of the amount of the class outstanding as last reported; and (2) any change in the name of the corporation. This report shall be filed not later than 10 days after the first date on which such change in outstanding securities or corporate name has occurred.</p>
Form 15	<p>17 CFR 249.323</p> <p>This form shall be filed by each issuer to certify that the number of holders of record of a class of security registered under section 12(g) of the 1934 Act is reduced to less than 300 persons, or that the number of holders of record of a class of security registered under section 12(g) of the 1934 Act is reduced to less than 500 persons and the total assets of the issuer have not exceeded \$10 million on the last day of each of the issuer's most recent three fiscal years. Registration terminates 90 days after the filing of the certificate or within such shorter time as the Commission may direct.</p>