

**Supporting Statement for the
Request for Extension of Time to Dispose of Assets Acquired in
Satisfaction of Debts Previously Contracted
(FR 4006; OMB No. 7100-0129)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the filing requirements associated with the Request for Extension of Time to Dispose of Assets Acquired in Satisfaction of Debts Previously Contracted (FR 4006; OMB No. 7100-0129). The Bank Holding Company Act of 1956 (BHC Act) and the Board's Regulation Y (12 CFR part 225) require a bank holding company (BHC) that, either through foreclosure or otherwise in the ordinary course of collecting a debt previously contracted (DPC), acquired voting securities of a bank or BHC or the securities or assets of a company engaged in a nonbanking activity to seek prior Board approval in order to retain ownership of those shares or assets for more than two years.¹

The Board proposes to revise the FR 4006 to account for certain voluntary reporting provisions regarding the efforts of a BHC to divest of assets acquired in the course of collecting a DPC that are set forth in Regulation Y. These voluntary reporting provisions have not previously been cleared under the Paperwork Reduction Act.

The estimated total annual burden for the FR 4006 is 105 hours and would increase to 129 hours. The proposed revisions result in an increase of 24 hours.

Background and Justification

Under section 3(a) of the BHC Act and section 225.12(b) of the Board's Regulation Y, a bank or other company is not required to seek prior Board approval before acquiring the securities of a bank or BHC in the ordinary course of collecting a DPC in good faith, if such securities (banking DPC property) are divested within two years of acquisition. Similarly, under section 4(c)(2) of the BHC Act and section 225.22(d)(1) of Regulation Y, a BHC is not required to seek prior Board approval before acquiring the securities or assets of a company engaged in nonbanking activity if it does so in the ordinary course of collecting a DPC in good faith, if such securities or assets (nonbanking DPC property) are divested within two years of acquisition.

In order to hold the banking or nonbanking DPC property beyond the two-year periods, a BHC is required to seek the approval of the Board. The two-year holding period for banking DPC property may be extended by the Board or the appropriate Reserve Bank for up to three years, in one-year increments, for a total holding period of five years. The two-year holding period for nonbanking DPC property may be extended by the Board for up to three additional years, and may be extended for up to five additional years in certain circumstances, for a total holding period of 10 years. Pursuant to section 225.12(b) of Regulation Y, a BHC may request

¹ There are no required reporting forms associated with this information collection (the FR 4006 designation is for internal purposes only).

an extension of the holding period for banking DPC property. Pursuant to section 225.22(d)(1) of Regulation Y, a BHC may request an extension of the holding period for nonbanking DPC property.

In determining whether to approve an extension request, the Board takes into consideration whether the extension would be detrimental to the public interest. For requests to hold nonbanking DPC property for more than five years, the Board considers whether the BHC has made a good faith effort to dispose of the DPC property or whether the disposal of DPC property during the initial period would have been detrimental to the BHC.

The information collected is used to monitor safety and soundness of banking organizations and to maintain compliance with the divestiture requirements for certain DPC property in the BHC Act and Regulation Y. In the absence of this information collection, BHCs would not be able to receive consideration from the Board of requests to hold banking or nonbanking DPC for more than two years.

Additionally, section 225.140(c) of Regulation Y states that a BHC that holds nonbanking DPC assets past the two-year statutory holding period should report annually to the appropriate Reserve Bank on its efforts to accomplish divestiture of such assets. Further, section 225.140(d) states that a BHC that holds real estate acquired as DPC property for longer than five years should keep the appropriate Reserve Bank advised on a regular basis concerning its efforts to dispose of the property. These updates assist the Federal Reserve System in supervising BHCs and assessing compliance with the requirements regarding the disposition of DPC property.

Description of the Information Collection

No application form exists for a BHC to retain banking or nonbanking DPC property for more than two years. However, a BHC seeking an extension generally submits a letter to the appropriate Reserve Bank that states the relevant facts; discusses why the extension should be approved; provides other information such as the efforts made, to date, to effect divestiture (including reasons for any delay in the pace of divestiture); and includes financial and descriptive data with respect to the DPC assets as well as the sales price of any related divested assets. Generally, approved extensions are granted for a period of one year, although in appropriate circumstances the Board may grant an extension with regard to nonbanking DPC property of longer than one year.

Respondent Panel

The FR 4006 panel comprises BHCs.

Proposed Revisions to the FR 4006

The Board proposes to revise the FR 4006 to account for the voluntary reporting provisions set forth in sections 225.140(c) and 225.140(d) of Regulation Y. As discussed above, these sections state, respectively, that a BHC that holds nonbanking DPC assets past the two-year

statutory holding period should report annually to the appropriate Reserve Bank on its efforts to accomplish divestiture of such assets and that a BHC that holds real estate acquired as DPC property for longer than five years should keep the appropriate Reserve Bank advised on a regular basis concerning its efforts to dispose of the property.

Time Schedule for Information Collection

This information collection is event generated. The first request for extension must be filed by a BHC generally 30 days before the second anniversary of the date that the specific DPC property was originally acquired. Subsequent requests for extension are generally filed 30 days before expiration of the previously authorized holding period.

Public Availability of Data

No data collected by this information collection is published.

Legal Status

The FR 4006 is authorized pursuant to sections 3(a) and 4(c)(2) of the Bank Holding Company Act² and sections 225.12(b) and 225.22(d) of the Board's Regulation Y, which permit a BHC to acquire securities or assets in the ordinary course of collecting a DPC in good faith without seeking prior Board approval if such securities or assets (DPC property) are divested within two years of acquisition. To hold the DPC property beyond this two-year period, a BHC must seek the Board's approval.³ The FR 4006 is required to obtain this benefit.

The information contained on the FR 4006 is not considered confidential unless an applicant requests confidential treatment in accordance with the Board's Rules Regarding Availability of Information.⁴ Requests for confidential treatment of information are reviewed on a case-by-case basis. Information provided on the FR 4006 may be nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, which is protected from disclosure pursuant to exemption 4 of the Freedom of Information Act.⁵

Consultation Outside the Agency

² 12 U.S.C. §§ 1842(a) and 1843(c)(2).

³ The two-year period may be extended by the Board for up to three years in one-year increments. 12 CFR 225.12(b); 12 CFR 225.22(d)(1). The Board may provide up to five additional one-year extensions (for a total of ten years) if the DPC property is shares, real estate, or other assets where the holding company demonstrates that each extension would not be detrimental to the public interest and either the bank holding company has made good faith attempts to dispose of such shares, real estate or other assets or disposal of the shares, real estate or other assets during the initial period would have been detrimental to the company. 12 CFR 225.22(d)(1)(ii).

⁴ 12 CFR 261.17.

⁵ 5 U.S.C. § 552(b)(4).

There has been no consultation outside the Federal Reserve System.

Public Comments

On April 6, 2022, the Board published an initial notice in the *Federal Register* (87 FR 19926) requesting public comment for 60 days on the extension, with revision, of the FR 4006. The comment period for this notice expires on June 6, 2022.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 4006 is 105 hours and would increase to 129 hours with the proposed revisions. The respondent burden per extension request is estimated to average five hours per submission. However, the respondent burden varies depending upon the complexity of the individual situation. Respondent counts are based on an average of respondents over the past two years. The Federal Reserve has not received any requests under section 225.12(b) over the past two years but is using a placeholder of 1 respondent in its estimates. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 4006	<i>Estimated number of respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
Section 225.12(b)	1	1	5	5
Section 225.22(d)(1)	20	1	5	<u>100</u>
<i>Current Total</i>				105
Proposed				
Section 225.12(b)	1	1	5	5
Section 225.22(d)(1)	20	1	5	100
Section 225.140(c) and (d)	12	1	2	<u>24</u>
<i>Proposed Total</i>				129

The estimated total annual cost to the public for this information collection is \$6,211 and would increase to \$7,630 with the proposed changes.⁷

Sensitive Questions

⁶ Of these respondents, two are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support-table-size-standards>.

⁷ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages, May 2020, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, www.bls.gov/soc/.

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

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this information collection is negligible.