

**Supporting Statement for the
Application for Exemption from Prohibited Service at Savings and Loan Holding
Companies (FR LL-12; OMB No. 7100-0338)**

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, without revision, the Application for Exemption from Prohibited Service at Savings and Loan Holding Companies (FR LL-12; OMB No. 7100-0338).¹ The Federal Deposit Insurance (FDI) Act and the Board's Regulation LL (12 CFR Part 238) prohibit individuals who have been convicted of certain criminal offenses or who have agreed to enter into a pretrial diversion or similar program in connection with a prosecution for such criminal offenses from participating in the affairs of a savings and loan holding company (SLHC) or any of its subsidiaries without the written consent of the Board. Such an individual, or the SLHC with which the individual seeks to participate, may apply for an exemption from this prohibition.

The estimated total annual burden for the FR LL-12 is 720 hours.

Background and Justification

Pursuant to section 19 of the FDI Act (12 U.S.C. § 1829) and subpart I of Regulation LL (12 CFR 238.81 *et seq.*), any person who has been convicted of any criminal offense involving dishonesty or a breach of trust or money laundering, or has agreed to enter into a pretrial diversion or similar program in connection with a prosecution for such an offense (prohibited person), is prohibited from (i) becoming or continuing as an institution-affiliated party² with respect to any SLHC; (ii) owning or controlling directly or indirectly any SLHC; or (iii) otherwise participating directly or indirectly in the conduct of the affairs of any SLHC. An SLHC may not permit a prohibited person to engage in any conduct or continue any relationship prohibited by section 19 of the FDI Act.

Pursuant to section 19 of the FDI Act, the Board may provide an exemption to a prohibited person if such exemption is consistent with the purposes of section 19. In order for a prohibited person to participate in the conduct of the affairs of any SLHC in a manner described above, the SLHC or the individual must file with the Board, and the Board must approve, an application seeking an exemption from the prohibitions of section 19 of the FDI Act and subpart I of Regulation LL. The Board will use information provided by the applicant when considering an exemption request concerning a prohibited person. Such considerations will include, but are not limited to, whether the prohibited person would participate in the major

¹ There is no formal reporting form for this collection of information (the FR LL-12 designation is for internal purposes only). An exemption request to the Board may be filed in a letter, or by using the Federal Deposit Insurance Corporation (FDIC) form described in the "Description of Information Collection" section.

² 12 U.S.C. § 1813(u) (defining institution-affiliated party).

policymaking functions of the SLHC or would threaten the safety and soundness of any subsidiary insured depository institution of the SLHC or the public confidence in the insured depository institution.³

This information is not available from other sources.

Description of Information Collection

All prohibited persons and SLHCs that seek an exemption are subject to the application requirements of subpart I of Regulation LL. An applicant must provide information regarding the position at the SLHC held or to be held by the prohibited person, the prohibited person's level of ownership of the SLHC, the specific nature of the offense involved, evidence of rehabilitation, and other relevant factors listed in section 238.88(b) of Regulation LL (12 CFR 238.88(b)). An applicant may submit this information in a letter or by using the FDIC's Application Pursuant to Section 19 of the Federal Deposit Insurance Act (OMB No. 3064-0018). The SLHC or prohibited person may seek an exemption only for a designated position (or positions) with respect to an SLHC identified in the application.

Respondent Panel

The FR LL-12 respondent panel comprises SLHCs and prohibited persons that seek to participate in the affairs of an SLHC.

Time Schedule for Information Collection

The information is collected when an SLHC or a prohibited person applies for an exemption. However, the SLHC or prohibited person may not file an application less than one year after the latter of the date of a denial of the same exemption under Regulation LL.⁴

Public Availability of Data

No data collected by this information collection is published.

Legal Status

The FR LL-12 is authorized by section 19(e)(2) of the FDI Act, under which the "Board ... may provide exemptions [from the prohibition] by regulation or order ... if the exemption is consistent with the purposes of this subsection." The FR LL-12 is required to obtain a benefit.

Individual respondents may request that information submitted to the Board through the FR LL-12 be kept confidential. If a respondent requests confidential treatment, the Board will determine whether the information is entitled to confidential treatment on a case-by-case basis. Information collected through the FR LL-12 may be kept confidential under exemption 4 for the

³ 12 CFR 238.88.

⁴ 12 CFR 238.87(a)(3).

Freedom of Information Act (FOIA), which protects privileged or confidential commercial or financial information, or under FOIA exemption 6, which covers personal information, the disclosure of which would constitute an unwarranted invasion of privacy. Additionally, to the extent the FR LL-12 contains information extracted from examination reports, it may be withheld from disclosure under FOIA exemption 8, which protects information “related to examination, operating, or condition reports.”

Consultation Outside the Agency

The Board consulted with the FDIC on the burden estimate and the use of their form for Board submissions.

Public Comments

On August 21, 2020, the Board published an initial notice in the *Federal Register* (85 FR 51718) requesting public comment for 60 days on the extension, without revision, of the FR LL-12. The comment period for this notice will expire on October 20, 2020.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR LL-12 is 720 hours. The number of respondents is based on the average annual number of FR LL-12 filers received in the last three years. The annual burden for the represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Estimated number of respondents⁵</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR LL-12 (Individuals)	43	1	16	688
FR LL-12 (Institutions)	2	1	16	<u>32</u>
			<i>Total</i>	720

The total cost to the public for individuals is estimated to be \$17,888.⁶ For institutions it is estimated to be \$1,843,⁷ for a total of \$19,731.

⁵ Of the respondents required to comply with the FR LL-12 information collection, none are estimated to be 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>.

⁶ The average consumer cost of \$26 is estimated using data from the BLS Economic News Release (USDLE-19-0307), https://www.bls.gov/news.release/archives/cewqtr_02202019.htm.

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 \$19, 45% Financial Managers at

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

The estimated cost to the Federal Reserve System for collecting and processing the FR LL-12 is negligible.

\$71, 15% Lawyers at \$69, and 10% Chief Executives at \$96). 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 2018, published March 29, 2019, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/