

Supporting Statement for the Reporting and Recordkeeping Requirements Associated with Regulation L (FR L; OMB No. 7100-0378)

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 Reporting and Recordkeeping Requirements Associated with Regulation L (FR L; OMB No. 7100-0378).¹ The Depository Institution Management Interlocks Act (DIMIA) generally prohibits management officials from serving simultaneously with two unaffiliated depository organizations (i.e., depository institutions and depository institution holding companies), but allows for exemptions from the prohibition in certain circumstances. The FR L information collection accounts for the reporting and recordkeeping requirements associated with implementation of DIMIA. Respondents include state member banks, bank holding companies (BHCs), and savings and loan holding companies (SLHCs) that qualify for certain exemptions.

The estimated total annual burden for the FR L is 14 hours.

Background and Justification

The FR L is associated with the Board's Regulation L - Management Official Interlocks (12 CFR Part 212), which implements the DIMIA for state member banks and bank holding companies, and Regulation LL – Savings and Loan Holding Companies (12 CFR Part 238), which implements the DIMIA for savings and loan holding companies. The Board's Regulations L and LL include certain exceptions from the general prohibition against simultaneous service by an individual as a management official with two unaffiliated depository institutions or depository institution holding companies. In order to implement these exceptions, both regulations contain certain reporting and recordkeeping requirements, as discussed below. The information that is the subject of these requirements is not available from other sources.

Description of Information Collection

Reporting Requirements

Under section 212.4(h) of Regulation L and section 238.94(h) of Regulation LL, there is an exemption from the interlock prohibitions with respect to the service of a director of a diversified savings and loan holding company, as defined by the Home Owners' Loan Act, who also is a director of an unaffiliated depository organization, if both the diversified savings and loan holding company and the unaffiliated depository organization notify their appropriate federal depository institutions regulatory agency at least 60 days before the dual service is proposed to begin and the agency does not disapprove the dual service before the end of the 60-

¹ There is no formal reporting form for this collection of information (the FR L designation is for internal purposes only).

day period. Board-regulated respondents provide the notification to the appropriate Reserve Bank.

Recordkeeping Requirements

Under section 212.5 of Regulation L and section 238.95 of Regulation LL, there is an exemption from the general interlock prohibitions for management interlocks between banking organizations with small market shares. Each of these exemptions require that each depository organization involved in the interlock must maintain records sufficient to support its determination of eligibility for the exemption and must reconfirm that determination on an annual basis.

Respondent Panel

The FR L panel comprises state member banks, bank holding companies, and savings and loan holding companies that qualify for the diversified savings and loan holding company or small market share exemptions discussed above.

Time Schedule for Information Collection

The reporting and recordkeeping requirements are event-generated. Respondents relying on section 212.4(h) of Regulation L and section 238.94(h) of Regulation LL notify their appropriate federal regulatory agency at least 60 days before the dual service is proposed to begin.

Public Availability of Data

No data collected through this information collection is made available to the public by the Board.

Legal Status

The FR L is authorized by sections 205 and 209 of the DIMIA, as amended.² The FR L is required to obtain a benefit.

Information submitted to the Board under the reporting requirements associated with the FR L is not considered confidential unless an applicant requests confidential treatment in accordance with the Board's Rules Regarding Availability of Information.³ Requests for confidential treatment of information are reviewed on a case-by-case basis. Information provided to the Board under the FR L's reporting requirements may be nonpublic commercial or financial

² 12 U.S.C. §§ 3205 (exempting a director of a diversified SLHC who is also a director of an unaffiliated depository organization from the DIMIA's interlock prohibitions if both the SLHC and the unaffiliated depository organization notify their appropriate federal regulatory agency at least 60 days before the dual service is proposed to begin and no agency disapproves the dual service before the end of the 60-day period) and 3207 (authorizing the Board to prescribe regulations carrying out the DIMIA with respect to state member banks, BHCs, and SLHCs).

³ 12 CFR 261.17.

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 (“FOIA”).⁴ Submissions to the Board under these requirements may also contain personnel and medical files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy, which are protected under exemption 6 of the FOIA.⁵

Information covered by the recordkeeping requirements associated with the FR L is maintained at the relevant banking organization. The FOIA would therefore only be implicated if the Board obtained such records as part of the examination or supervision of a banking organization. In the event the records are obtained by the Board as part of an examination or supervision of a financial institution, this information would be considered confidential pursuant to exemption 8 of the FOIA, which protects information contained in “examination, operating, or condition reports” obtained in the bank supervisory process.⁶ Information covered by the FR L’s recordkeeping requirements may also be protected from disclosure under exemption 4 or 6 of the FOIA, depending on the contents of the information.⁷

Consultation Outside the Agency

The Board consulted with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, the other agencies with responsibilities related to these requirements associated with DIMIA, to confirm alignment of the burden estimates.

Public Comments

On November 4, 2022, the Board published an initial notice in the *Federal Register* (87 FR 66704) requesting public comment for 60 days on the extension, without revision, of the FR L. The comment period for this notice expires on January 3, 2023.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR L is 14 hours. The estimated number of respondents for each portion of the information collection burden was determined using the average of the total number of respondents from the previous two years. These reporting and recordkeeping requirements represent less than 1 percent of the Board’s total paperwork burden.

⁴ 5 U.S.C. § 552(b)(4).

⁵ 5 U.S.C. § 552(b)(6).

⁶ 5 U.S.C. § 552(b)(8).

⁷ 5 U.S.C. §§ 552(b)(4) and (6).

| FR L | <i>Estimated number of respondents⁸</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|---|--|-------------------------|---|--------------------------------------|
| Reporting Sections 212.4(h)(1)(i) and 238.94(h)(1)(i) | 2 | 1 | 4 | 8 |
| Recordkeeping Sections 212.5(b) and 238.95(b) | 2 | 1 | 3 | <u>6</u> |
| <i>Total</i> | | | | 14 |

The estimated total annual cost to the public for this collection of information is \$1,934.⁹

Sensitive Questions

The 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.

⁸ Of these respondents required to comply with this information collection, none 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>.

⁹ 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 Statistics (BLS), Occupational Employment and Wages, May 2021, published March 31, 2022, <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.