

**Supporting Statement for the
Federal Reserve Membership Application
(FR 2083, FR 2083A, FR 2083B, and FR 2083C; OMB No. 7100-0046) and the
Federal Reserve Bank Stock Applications
(FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087; OMB No. 7100-0042)**

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 following application reporting forms:

Federal Reserve Membership Application (OMB No. 7100-0046), which is comprised of:

- Application to the Board of Governors of the Federal Reserve System for Membership in the Federal Reserve System (FR 2083);
- Application for Federal Reserve Bank Stock (for use by state banks, except mutual savings banks, and by national banks converting into state member banks) (FR 2083A);
- Application for Federal Reserve Bank Stock (for use by mutual savings banks) (FR 2083B); and
- Certificate of Organizers or of Directors (FR 2083C); and

Federal Reserve Bank Stock Applications (OMB No. 7100-0042), which is comprised of:

- Application for Federal Reserve Bank Stock (for use by new national banks) (FR 2030);
- Application for Federal Reserve Bank Stock (for use by nonmember state banks converting into national banks) (FR 2030a);
- Application for Adjustment in the Holding of Federal Reserve Bank Stock (FR 2056);
- Application for Cancellation of Federal Reserve Bank Stock (for use by member banks in voluntary liquidation) (FR 2086);
- Application for Cancellation of Federal Reserve Bank Stock (for use by member banks converting into or merging into member or nonmember banks) (FR 2086a); and
- Application for Cancellation of Federal Reserve Bank Stock (for use by insolvent member banks) (FR 2087).

The Board is proposing to revise the FR 2083A, FR 2083B, FR 2086, FR 2086A, FR 2087, FR 2030, FR 2030a, and FR 2056 in order to improve the clarity of the information requests and remove items in the current forms that are no longer required in the application process. The Board is not proposing any revision to the FR 2083 and FR 2083C forms as part of this process.

The current annual reporting burden for the membership application forms is estimated to be 64 hours. The current annual reporting burden for the stock application forms is estimated to be 588.5 hours. The proposed revisions would not increase the estimated burden for any of the applications.

Background and Justification

A state-chartered bank may become a member of the Federal Reserve System by filing an

application and having the Board determine that the bank meets the statutory standards for membership. National banks automatically become members of the Federal Reserve System upon being chartered by the Office of the Comptroller of the Currency (OCC).

When acting upon an initial Federal Reserve Membership Application filed by a state-chartered bank, the Federal Reserve is required under section 9 of the Federal Reserve Act to consider the financial condition of the applying bank, the general character of its management, and whether the corporate powers to be exercised are consistent with the Federal Reserve Act. The other relevant criteria established by the statute¹ and by regulation² include the adequacy of capital, financial history and condition, future earnings prospects, and the convenience and needs of the community or communities to be served. Information requested of a new or existing state-chartered bank applying for Federal Reserve membership (such as deposits and earnings projections, proposed premises, and the background of proposed bank officials) is not available from any source other than the applicant. The information requested in the FR 2083 application for membership is necessary for the Federal Reserve to be able to fulfill its responsibilities with respect to evaluating a state-chartered bank for membership. The Federal Reserve uses the information collected through the application form, along with other Federal Reserve System-generated data, to determine whether the applicant bank meets the standards for approval.

The stock application forms (FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087) are authorized under the Federal Reserve Act and Regulation I (Issue and Cancellation of Federal Reserve Bank Capital Stock, 12 CFR Part 209). These application forms must be used by a new or existing member bank (including a national bank) to request the issuance, adjustment in, or cancellation of Federal Reserve Bank stock. The application forms must contain certain certifications by the applicant as well as certain other financial and shareholder data that is needed by a Reserve Bank to process the request.

When a bank receives approval for membership in the Federal Reserve System, the bank agrees to certain conditions of membership that are contained in the approval letter. At the same time, the bank is advised that, under section 5 of the Federal Reserve Act,³ as well as Regulation I,⁴ the bank must subscribe to the capital stock of the Federal Reserve Bank in whose district the head office of the member bank is located. The Federal Reserve Bank stock application forms are necessary to obtain current information on the member bank's capital and surplus and to document the bank's request for an increase or decrease in its holdings of Federal Reserve Bank stock. This information is also used to verify that a request has been duly authorized and to prevent unauthorized requests for issuance or cancellation of Federal Reserve Bank stock. The application forms are submitted by the applying banks to Federal Reserve Banks. The information collected on these application forms is not available from any other source.

Description of Information Collections

Federal Reserve Membership Application

¹ 12 U.S.C. § 322.

² Regulation H - Membership of State Banking Institutions in the Federal Reserve System, 12 CFR Part 208.

³ 12 U.S.C. § 287.

⁴ 12 CFR part 209.

Any state-chartered bank applying for membership in the Federal Reserve System must file an application with the appropriate Federal Reserve Bank. The application forms for the initial subscription of Federal Reserve Bank stock filed by new or existing state-chartered bank requires one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction;
- an indication of the capital and surplus of the bank as of the date of application; and
- a certification (by official signatures) of the resolution.

The four individual application forms in the FR 2083 series (membership application and relevant attachments) are all one-time submissions that are used by new or existing state-chartered banks to apply for membership in the Federal Reserve System:

- FR 2083 - Cover sheet, with general information and instructions detailing the information to be submitted according to the type of applicant bank.
- FR 2083A - Application form for the purchase of Federal Reserve Bank stock by state banks (except mutual savings banks) and by national banks converting into state member banks.
- FR 2083B - Application form for the purchase of Federal Reserve Bank stock by mutual savings banks.
- FR 2083C - Certificate of Organizers or Directors certifying that the information being submitted is true and complete, and the proposed capital is not impaired.

Federal Reserve Bank Stock Applications

Any national bank wanting to purchase stock in the Federal Reserve System, any member bank wanting to increase or decrease its Federal Reserve Bank stock holdings, or any bank wanting to cancel its stock holdings must file an application with the appropriate Federal Reserve Bank. The application forms for the initial subscription of Federal Reserve Bank stock filed by organizing national banks and nonmember state banks converting to national banks (FR 2030 and 2030a, respectively) and the application forms for the cancellation of Federal Reserve Bank stock filed by liquidating member banks, member banks merging or consolidating with nonmember banks, and insolvent member banks (FR 2086, FR 2086a, and FR 2087, respectively) may require one or more of the following:

- a resolution by the applying bank's board of directors authorizing the transaction;
- an indication of the capital and surplus of the bank as of the date of application
- a certification (by official signatures) of the resolution; and/or
- an indication of the number of shares and dollar amount of the Federal Reserve Bank stock to be purchased or canceled.

The application form for an interim adjustment in a member bank's holdings of Federal Reserve Bank stock (FR 2056) requires an indication of the capital and surplus of the bank as of the date of application and an indication of the number of shares held and the number of shares to be acquired or canceled.

A completed application form must be submitted for each required adjustment. Any member bank must use the FR 2056 to correct a discrepancy between the amount of Federal

Reserve Bank stock required to be held and the amount actually held by the member bank. The latter is determined by the Reserve Bank through its monitoring of the bank's capital accounts reported quarterly on the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036). The Federal Reserve Bank stock applications are distributed by the Federal Reserve Banks and the information collected enables them to account for required subscription, adjustment, or cancellation payments to and from the System and for dividends paid by the System on any outstanding stock.

Proposed Revisions

The Board is proposing to revise the FR 2083A, FR 2083B, FR 2086, FR 2086A, FR 2087, FR 2030, FR 2030a, and FR 2056 with the following updates:

- A. Require the bank to include their American Bankers Association (ABA) number on page one (FR 2083A, FR 2083B, FR 2030, FR 2030A, and FR 2056);⁵
- B. Include the Chief Financial Officer (CFO) as an authorized signer (FR 2030, FR 2030A, FR 2083A, FR 2083B, FR 2086, FR 2086A, and FR 2056);
- C. Remove the SEAL and/or notarization requirement to allow for electronic retention of documentation (FR 2030, FR 2030A, FR 2083A, FR 2083B, FR 2056, and FR 2087);
- D. Include a note requiring that the signer of the form be included on the bank's Official Authorization List that is on file with the Federal Reserve (FR 2030, 2030A, 2083A, FR 2083B, FR 2086A, and FR 2056);
- E. Collect an additional data point "Less: retained earnings and accumulated other comprehensive income if such combined amount is negative." on page one (FR 2030, FR 2030a, similar to the FR 2056); and
- F. On page one of FR 2056, make the following formatting changes:
 - a. Place a box around the area where member banks enter their Common stock, Paid-in surplus and NRE figures (if applicable) and place a bolded "Member banks" identifier at top left;
 - b. Place member bank and mutual savings bank calculations separated from each other in order to alleviate each type of institution from using both areas; and
 - c. Insert the statement to, "round up only" to footnote 3.

The Board is not proposing any revision to the FR 2083 and FR 2083C forms as part of this process.

Time Schedule for Information Collection

Submission of these applications is event generated. The FR 2083 is filed by a new or existing state member bank when it wishes to become a member of the Federal Reserve System. The FR 2030 must be submitted by a national bank while in the process of organizing and the FR 2030a must be submitted by a state nonmember bank while in the process of converting to a national bank. The FR 2056 must be filed promptly after the first Call Report that reflects a required adjustment in a bank's holdings of Federal Reserve Bank stock or as necessitated by a merger or other consolidation. The FR 2086, FR 2086a, and FR 2087 are usually submitted

⁵ Adding the ABA number to these forms would aid the Board in processing these applications, because application changes required are based on ABA number.

30 calendar days after the event triggering the need for cancellation of a bank's Federal Reserve Bank stock. The information in the applications is not published.

Legal Status

The Federal Reserve Membership Application is authorized by Section 9 of the Federal Reserve Act (FRA) (12 U.S.C. 321, 322, 323, 329, and 333). The Federal Reserve Bank Stock Applications are authorized pursuant to Sections 9 (12 U.S.C. 321) and 11(a) of the FRA (12 U.S.C. 248(a)). Additionally, the FR 2030 and FR 2030a are specifically authorized by Section 2 of the FRA (12 U.S.C. 222 and 282); the FR 2056, FR 2086, and FR 2086a are authorized by Section 5 of the FRA (12 U.S.C. 287); and the FR 2087 is authorized by Section 6 of the FRA (12 U.S.C. 288).

The FR 2083 is required to obtain a benefit, while the FR 2030, FR 2030a, FR 2056, FR 2086, FR 2086a, and FR 2087 are mandatory. Individual respondents may request that information submitted to the Board in these applications be kept confidential on a case-by-case basis. Such applications may contain information related to the business plans of the respondent. Under certain circumstances, this information may be withheld under exemption 4 of the Freedom of Information Act (FOIA), which protects privileged or confidential commercial or financial information (5 U.S.C. 552(b)(4)). These applications may also contain information of a personal nature the disclosure of which would result in a clearly unwarranted invasion of personal privacy, which may be protected under exemption 6 of the FOIA (5 U.S.C. 552(b)(6)). Additionally, exemption 8 of the FOIA (5 U.S.C. 552(b)(8)) may apply to the extent the reported information is contained in or related to examination reports.

Consultation Outside the Agency

There has been no consultation conducted outside the agency.

Public Comments

On June 6, 2019, the Board published an initial notice in the Federal Register (84 FR 26415) requesting public comment for 60 days on the extension, with revision, of the FR 2030, FR 2030a, FR 2056, FR 2083, FR 2083A, FR 2083B, FR 2083C, FR 2086, FR 2086A, and FR 2087. The comment period for this notice will expire on August 5, 2019.

Estimate of Respondent Burden

The current annual reporting burden for the membership application is estimated to be 64 hours. The current annual reporting burden for the stock applications is estimated to be 588.5 hours. The estimated annual reporting burden for the membership application and the stock applications would not increase as a result of the proposed revisions. These reporting requirements represent less than one percent of the total Federal Reserve System's paperwork burden.

| | <i>Number of respondents⁶</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|---|--|-------------------------|---|--------------------------------------|
| Federal Reserve | | | | |
| Membership Application: | | | | |
| FR 2083, FR 2083A, FR 2083B, and FR 2083C | 16 | 1 | 4 | 64 |
| Federal Reserve Bank Stock Applications: | | | | |
| FR 2030 | 4 | 1 | 0.5 | 2 |
| FR 2030a | 7 | 1 | 0.5 | 3.5 |
| FR 2056 | 1068 | 1 | 0.5 | 534 |
| FR 2086 | 10 | 1 | 0.5 | 5 |
| FR 2086a | 86 | 1 | 0.5 | 43 |
| FR 2087 | 1 | 1 | 0.5 | <u>1</u> |
| | | | | 588.5 |
| <i>Total</i> | | | | 652.5 |

The total cost to the public is estimated to be \$3,686 for the revised membership applications. The total cost to the public is estimated to be \$33,898 for the revised stock applications.⁷

Sensitive Questions

These collections of information contain 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 the reports is negligible.

⁶ Of these respondents required to comply with this information collection, 258 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-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 \$19, 45% Financial Managers at \$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.