

**Supporting Statement for the
Recordkeeping Requirements Associated with Changes in Foreign Investments
(Made Pursuant to Regulation K)
(FR 2064; OMB No. 7100-0109)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the mandatory Recordkeeping Requirements Associated with Changes in Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109). Internationally active U.S. banking organizations (member banks, Edge Act and agreement corporations, and bank holding companies) are required to maintain adequate internal records that demonstrate compliance with the investment provisions contained in Subpart A of International Banking Operations (Regulation K).¹ There is no reporting form for this recordkeeping requirement. The estimated annual burden for this recordkeeping requirement is 160 hours.

Background and Justification

Effective September 1, 2001, the Board eliminated the collection of the FR 2064 reporting form, and replaced it with a recordkeeping requirement. This recordkeeping requirement is used to fulfill the Board's supervisory responsibilities and monitor compliance by banking organizations with relevant sections of the Federal Reserve Act (FRA) and Regulation K, including compliance with the general consent provisions of Regulation K.² Monitoring the level of international investments is necessary in order to ensure compliance with relevant banking laws and regulations, and to ensure that banking organizations do not expose themselves to undue risk.

Although the FR 2064 reporting form has been eliminated, the Board has a continuing need to monitor compliance with the FRA and sections 211.8 through 211.10 of Regulation K. Organizational structure information previously collected in the FR 2064 report is now being collected through the Report of Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297) and the Annual Report of Holding Companies (FR Y-6; OMB No. 7100-0297). Banking organizations must maintain records for other information previously collected on the FR 2064 as detailed in the SR Letter 02-2 published February 7, 2002. Internationally active U.S. banking organizations are also expected to maintain adequate internal records to allow examiners to review compliance with the investment provisions of Regulation K.

¹ See Letter SR 02-2 published February 7, 2002.

² The Board has granted its general consent to U.S. banking organizations to make foreign investments without prior notice to the Board if the investment meets certain criteria. The criteria relate to the dollar amount of the investment, whether the investment is in a subsidiary or a joint venture, or is a portfolio investment, and whether the investor is a bank holding company, a member bank, or an Edge Act or agreement corporation that is well capitalized and well managed.

Description of Information Collection

For each investment made under Subpart A of Regulation K, internal records must be maintained regarding the type of investment, for example, equity (voting shares, nonvoting shares, partnerships, interests conferring ownership rights, participating loans), binding commitments, capital contributions, and subordinated debt; the amount of the investment; the percentage ownership; activities conducted by the company and the legal authority for such activities; and whether the investment was made under general consent, prior notice, or specific consent authority. With respect to investments made under general consent authority, information also must be maintained that demonstrates compliance with the various limits set out in section 211.9 of Regulation K.

Time Schedule for Information Collection

This recordkeeping information maintained by the banking organization must be made available to the Federal Reserve, upon request, during the course of on-site examinations and pursuant to other supervisory requests. The Board does not require that such information be maintained in a specific format.

Legal Status

This collection of information is authorized pursuant to section 5(c) of the BHC Act (12 U.S.C. § 1844(c)); sections 25 and 25A of the FRA (12 U.S.C. § 602 and 625). The recordkeeping requirements are mandatory. Because the Board does not collect these records, an issue of confidentiality under the Freedom of Information Act (FOIA) is unlikely to arise. FOIA, however, may be implicated if the Federal Reserve's examiners retain a copy of the records in their examination or supervision of the institution. Any such records would be exempt from disclosure pursuant to exemption 8 of FOIA (5 U.S.C. § 552(b) (b)(8)). Exemption 4 to FOIA, which protects confidential financial information, may also be applicable. (5 U.S.C. § 552(b)(4)).

Consultation Outside the Agency

On May 22, 2018, the Board published a notice in the *Federal Register* (83 FR 23682) requesting public comment for 60 days on the extension, without revision, of the FR 2064. The comment period for this notice expires on July 23, 2018.

Estimate of Respondent Burden

The Board estimates the annual burden hours for the FR 2064 to be 160 hours. The Board estimates that the effort associated with the recordkeeping requirements will take an average of two hours per quarter. The recordkeeping burden represents less than 1 percent of the Board's total annual paperwork burden.

	<i>Number of respondents³</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2064	20	4	2	160

The total annual cost to the public is estimated to be \$8,968.⁴

Sensitive Questions

There are no questions of a sensitive nature in this report, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

Because the Federal Reserve does not collect these records, the cost to the system is negligible.

³ Of these respondents, none are estimated to be small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/table-small-business-size-standards.

⁴ 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 \$18, 45% Financial Managers at \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). 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 2017, published March 30, 2018 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/