

**Supporting Statement for the
Notice of Change in Bank Control,
Interagency Notice of Change in Director or Senior Executive Officer, and
Interagency Biographical and Financial Report
(FR 2081a,b,c; OMB No. 7100-0134)**

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, with revision, the mandatory Interagency Notice of Change in Bank Control, the Interagency Notice of Change in Director or Senior Executive Officer, and the Interagency Biographical and Financial Report (FR 2081a,b,c; OMB No. 7100-0134). Each of these forms is used to collect information in connection with applications and notices filed by bank holding companies (BHCs), savings and loan holding companies (SLHCs), state member banks (SMBs), and individuals prior to proposed changes in the ownership or management of banking organizations.

The information collected by these notices and reporting form assist the Board, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC), (collectively, the agencies), in fulfilling their statutory responsibilities as supervisors. The information collected in an Interagency Notice of Change in Bank Control (FR 2081a) submitted to the Board is provided by persons proposing to make significant investments in a BHC, SLHC, or SMB. The information collected in the Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b) is required under Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and is submitted to the Board (under certain circumstances) by a BHC, SLHC, or SMB making changes to its board of directors or senior executive officers. The Interagency Biographical and Financial Report (FR 2081c) is not a stand-alone reporting form; it is a companion reporting form to the FR 2081a, FR 2018b, and other Board information collections that is used to gather required information about the individuals involved in various applications and notices.

The Board proposes to revise the FR 2081a,b,c reporting forms and instructions in order to: improve the clarity of the requests; delete information requests that are not typically useful for the analysis of the proposal; and add transparency for filers regarding the information that is required to consider a proposal.

The current annual reporting burden for the FR 2081a,b,c forms is estimated to be 11,302 hours. The proposed revisions are expected to increase the estimated average hours per response for FR 2081a and FR 2081c by one half hour, and no increase in estimated average hours per response is anticipated for the FR 2081b, for a total burden of 12,136 hours.

Background and Justification

The Notice of Change in Bank Control originated in 1979 as a result of the enactment of the Change in Bank Control Act of 1978 (CBC Act), 12 U.S.C. § 1817(j). Under the CBC Act, a person (which may include a group of individuals or certain companies) must seek the

prior approval of the appropriate federal banking agency before acquiring control of an insured depository institution or its parent holding company(ies). The agencies use the information from the FR 2081a and FR 2081c to evaluate the qualifications of specific individuals organizing, acquiring control, or managing an insured depository institution to ensure that the proposed transactions are permissible under law and regulation and are consistent with safe and sound banking practices.¹ One of the major objectives of the CBC Act is to prevent serious adverse effects resulting from unsuitable ownership of, inadequate financial support for, and unsuitable management of insured depository institutions or their parent holding companies.

Under Section 914 of FIRREA, 12 U.S.C. § 1831i, when an insured depository institution, BHC, or SLHC meeting certain financial or supervisory criteria intends to add an individual to its board of directors or employ an individual as a senior executive officer, the prior consent of one of the agencies is required.² The FR 2081b is used by either the institution or the individual to file a prior notice with the institution's appropriate federal banking agency. The purpose of Section 914 is to give the agencies an opportunity to object if the competence, experience, character, or integrity of the individual who seeks to be employed or otherwise associated with the institution is not in the best interests of the depositors of the institution or the public.

In 1996, a task force of representatives from the agencies was formed to review the FR 2081 reporting process. The filing requirements were adapted and reformatted to consist of three separately titled notices: the Interagency Notice of Change in Control (FR 2081a), the Interagency Notice of Change in Director or Senior Executive Officer (FR 2081b), and the Interagency Biographical and Financial Report (FR 2081c). The development of these notices and reporting form resulted in reduced burden for the various affected filers. The information requested in the FR 2081a, FR 2081b, and FR 2081c is not available from any other source and is necessary for the Board to fulfill its supervisory responsibilities.

Description of the Information Collection

The FR 2081a is used by an individual (or a group of individuals or companies that would not be BHCs or SLHCs after consummation of the proposed transaction) seeking to acquire shares of an insured depository institution, SLHC, or BHC (or group of BHCs or SLHCs). The notice is submitted to the appropriate federal regulatory agency of the target organization. The notice includes a description of the proposed transaction, including the purchase price and funding source, and the personal and financial information of the proposed acquirer(s) and any proposed new management.

¹ In considering a notice under the CBC Act, the Agencies must evaluate the following factors: the financial condition of the acquiring party(ies) and of the holding company or bank to be acquired; the competence, experience, and integrity of the acquiring party(ies) and of any proposed new management of the holding company or bank to be acquired; the effect of the transaction on competition; the future prospects of the institution to be acquired; and whether the financial condition of any acquiring person or the future prospects of the institution is such as might jeopardize the financial stability of the bank or prejudice the interest of the depositors of the bank.

² Such employment may include an individual that is not directly compensated, but otherwise is allowed to exert significant influence over, or who participates in, major policy making decisions of the regulated institution.

The FR 2081b is used, under certain circumstances, by an insured depository institution, SLHC, BHC, or the affected individual to notify one of the agencies of a proposed change in the institution's board of directors or senior executive officers. The FR 2081b must be filed with the institution's appropriate federal regulatory agency if the institution is experiencing certain financial or supervisory difficulties. An insured depository institution, SLHC, or BHC is subject to this prior notice requirement if it is not in compliance with all minimum capital requirements, is in troubled condition or, otherwise, is required by the Federal Reserve to provide such notice.

The FR 2081c is used by certain shareholders, directors, and executive officers in connection with different types of applications filed with the agencies. Information requested on this reporting form is subject to verification and must be complete. As with all the notices and reporting forms, requests for clarification or supplementation of the original filing may be necessary.

Proposed Revision

The Board proposes to implement a number of revisions to the FR 2081a,b,c forms. The proposed changes are being made in order to improve the clarity of the requests, delete information requests that are not typically useful for the analysis of the proposal, and add transparency for filers regarding the information that is required to consider a proposal. In determining which changes to propose, the agencies surveyed their regional offices to solicit recommendations for changes to the forms and considered the effects of the changes on community bank organizations, which represent the vast majority of filers. Although the revisions add items to the FR 2081 a,b,c forms, Board staff believes that some of these additions are related to information typically requested on a follow-up basis by the respective regulators. Requesting the information up front should increase the efficiency of the review process. The recommended changes are outlined below and are grouped into the following categories:

- A. Additional requested items relating to information that generally was previously requested as supplemental information subsequent to the filing of the initial application
- B. Clarification of exact requirements of certain requests
- C. Deletion of certain requested items that the agencies no longer believe are helpful in evaluating the notice
- D. Other minor changes for improved grammar, comprehension, and accurate citations and mailing addresses

Discussion of FR 2081 Revisions

FR 2081a "Interagency Change in Control Notice" Revisions:

- A. Additional Requested Items

The agencies agreed to include additional requests for the FR 2081a. These are items that, for the most part, would be requested as additional information to supplement the questions on the current form. By including upfront these standard requests, time and effort will be saved on the part of the applicant and the agencies. These newly requested items are:

- (1) Information regarding whether the applicant would join an existing group acting in concert. New information requested includes a list of the members of the group and whether or not a FR 2081a was previously filed for the group.
- (2) Ownership percentage, market value, and price information for non-voting shares, warrants and debt instruments. The prior form only requested information regarding voting share ownership.
- (3) Any securities to be purchased, which would be broken-out by voting, nonvoting and debt categories.
- (4) Narrative description of the proposed transaction.
- (5) Information regarding the expected timing of the proposal.

B. Clarification of exact requirements of certain requests

- (1) Voting and nonvoting shares and debt instruments information is requested in an easy-to-read table format.
- (2) Checklist of supporting documents pertinent to the transaction that may be required to be submitted, including purchase, sale, shareholder, trust, tender offers, and non-compete agreements.

C. Deletion of requested items

- (1) The request for information on tender offers will be deleted. Such information will be included in the response to another question.
- (2) Current book value per share, which can be calculated using other information provided.

D. Minor editing changes

- (1) Such changes are made to improve grammar, update citations and addresses, clarify instructions, and note the option of filing electronically.

FR 2081b “Notice of Change in Director or Senior Executive Officer” Revisions:

A. Additional Requested Items

The agencies agreed to include an additional item that, for the most part, is typically requested as additional information to supplement the questions included in the current form. By including the request up front as standard requests within the form, time and effort will be saved on the part of the applicant and the agency. This newly requested item is:

- (1) Statement regarding whether the submission is an after-the-fact notice and whether any exemptions apply.

B. Clarification of exact requirements of certain requests

- (1) Notice that providing an employment contract does not alleviate any other filing requirements.

C. Deletion of requested items

- (1) None.

D. Minor editing changes

- (1) Other changes to the form that are less significant in nature include those to improve grammar, update citations and addresses, clarify instructions, and note the option of filing electronically.

FR 2081c “Interagency Biographical and Financial Report” Revisions:

A. Additional Requested Items

The agencies agreed to include additional requests on the FR 2081c. These are items that generally would have been requested as additional information to supplement the questions included in the current form. By including them upfront as standard requests within the form, time and effort are saved on the part of the applicant and the agency. These newly requested items are:

- (1) Information regarding whether the applicant has failed to satisfy any federal, state or local tax obligations.
- (2) Details regarding any liability that is contractually delinquent.

B. Clarification of exact requirements of certain requests

- (1) Enhanced descriptions of the transactions required to be reported in “Legal and Related Matters.” This includes information regarding civil and criminal lawsuits, suspension or removal of a license, disbarment, and any consent order,

written agreement, or memorandum of understanding, as well as identification of the court in which any legal proceeding occurred involving the applicant or any company with which they are or were associated.

C. Deletion of requested items

- (1) Removed request for a fax number.

D. Minor editing changes

- (1) Other changes to the form that are less significant in nature include those to improve grammar, update citations and addresses, clarify instructions, and note the option of filing electronically.

Time Schedule for Information Collection

The FR 2081a is event-generated and must be filed at least 60 days prior to the proposed change in control. The statute provides that action on the notice is to be taken within 60 days after the receipt of a complete notice, unless the time period is extended. As a result of the 1986 and 2006 amendments to the CBC Act, the agencies are allowed to extend the initial 60-day processing period for an additional 30 days for any reason and then to extend processing for two additional 45-day periods for certain enumerated reasons (such as submission of incomplete or inaccurate information by the acquiring person).

The FR 2081b must be filed at least 30 days prior to certain insured depository institutions (or BHCs and SLHCs) adding a member to the board of directors or employing an individual as a senior executive officer. The proposed director or senior executive officer may begin service 30 days after a complete notice has been received, unless the responsible agency issues a notice of disapproval of the proposed addition or employment before the end of the 30-day period. The time period for review may be extended for an additional 60 days for any reason and for a more extended period at the request of the notificant.

The FR 2081c is used by individuals in conjunction with other notices or applications, and is submitted to the appropriate regulatory agency according to deadlines associated with those other notices or applications. The reporting form is not a stand-alone report.

Legal Status

Section 7(j) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(j)) authorizes the Board to require the information under the FR 2081a and FR 2081c. Section 914 of the Financial Institutions Reform, Recovery, and Enforcement Act (12 U.S.C. § 1831(i)) authorizes the Board to require the information under the FR 2081b and FR 2081c.

The Federal Reserve treats the notices and reporting form as public documents. The organizations and individuals that submit the forms may request that all or a portion of the submitted information be kept confidential. In such cases, the filer must justify the exemption by

demonstrating that disclosure would cause substantial competitive harm, result in an unwarranted invasion of personal privacy, or would otherwise qualify for an exemption under the Freedom of Information Act (5 U.S.C. § 552). The confidentiality status of the information submitted will be judged on a case-by-case basis.

Because information is being collected from individuals, the Federal Reserve is required to make certain disclosures to the notificant under the Privacy Act (5 U.S.C. § 552a(e)(3)). The disclosures made by the Federal Reserve on the current and proposed FR 2081 meet the requirements of the Privacy Act.

Consultation Outside the Agency

The interagency working group responsible for this application is comprised of representatives from the OCC, the FDIC, and the Federal Reserve System, who collaborated to recommend the above changes. On October 2, 2017, the Board published a notice in the *Federal Register* (82 FR 45847) requesting public comment for 60 days on the extension, with revision, of the FR 2070. The comment period for this notice expires on December 1, 2017.

Estimate of Respondent Burden

As shown in the following table, the annual burden for the revised FR 2081a and FR 2081b is estimated to be 4,758 hours and 574 hours respectively. The annual burden associated with filing the revised FR 2081c, as a supplement to the FR 2081a and FR 2081b, is estimated to be 6,804 hours. On average, between three and four individuals listed on an FR 2081a or FR 2081b filing must also submit a companion FR 2081c report. The burden associated with filing the FR 2081c as a supplement to other applications or notices is included with those information collections. The annual reporting burden estimate is based on the average number and type of applications received in 2015 and 2016. The annual burden of this information collection represents less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents³</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>				
FR 2081a Change in Control	156	1	30	4,680
FR 2081b Change in officers or directors	287	1	2	574
FR 2081c Biographical and financial	1,512	1	4	<u>6,048</u>
<i>Total</i>				11,302
<i>Proposed</i>				
FR 2081a Change in Control	156	1	30.5	4,758
FR 2081b Change in officers or directors	287	1	2.0	574
FR 2081c Biographical and financial	1,512	1	4.5	<u>6,804</u>
<i>Total</i>				12,136
<i>Difference</i>				+834

The current total annual cost to the public is estimated to be \$620,480 and with the revisions will increase to \$666,266.⁴

³ Of these respondents 213 are small entities as defined by the Small Business Administration (i.e. entities with less than \$550 million in 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 \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). 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 2016, published March 31, 2017 <http://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc.

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

Costs to the Federal Reserve System associated with the processing of this information collection is \$767,202 per year.