

**Supporting Statement for  
Bank Holding Company Applications and Notifications  
(FR Y-3, FR Y-3N, and FR Y-4; OMB No. 7100-0121)**

**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 Bank Holding Company Applications and Notifications (FR Y-3, FR Y-3N, and FR Y-4; OMB No. 7100-0121). This information collection is comprised of the following reporting forms:

- Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company (FR Y-3),
- Notification to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company (FR Y-3N), and
- Notification by a Bank Holding Company to Acquire a Nonbank Company and/or Engage in Nonbanking Activities (FR Y-4).

These filings collect information on proposals by bank holding companies (BHCs) and companies seeking to become BHCs involving certain formations, acquisitions, mergers, and nonbanking activities. The Board requires the submission of these filings for regulatory and supervisory purposes and to fulfill its statutory obligations under the Bank Holding Company Act of 1956 (the BHC Act). The Board uses the information submitted in these filings to evaluate each individual transaction with respect to the relevant statutory factors and to ensure that the transaction complies with other applicable requirements.

The Board proposes to revise the FR Y-3 and FR Y-4 forms and instructions in order to add information that the Federal Reserve routinely requests now and to reflect the impact of new capital regulations. [The revisions are intended to ensure that the reporting instructions include correct regulatory citations and updated terminology, and to ensure that initial filings include the information that the Federal Reserve requires to evaluate a transaction and thereby reduce the need for subsequent additional information requests, which may delay the Federal Reserve's consideration of a filing and create additional burden for filers.] The Board is not proposing any revisions to the FR Y-3N.

The current estimated total annual burden for the FR Y-3, FR Y-3N, and FR Y-4 is 7,519 hours and would decrease to 7,454 hours. The proposed revisions would result in a decrease of 65 hours. The form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

**Background and Justification**

Pursuant to section 3 of the BHC Act and the Board's Regulation Y, a company proposing to become a bank holding company, acquire a subsidiary bank, or acquire control of

bank or bank holding company securities generally must apply for the Board's prior approval.<sup>1</sup> The FR Y-3 is the required form for such an application. Certain BHC formations and acquisitions of banks instead require only the filing of a prior notice with the Board.<sup>2</sup> The FR Y-3N is the required form for such a notice. In assessing an application or notice pursuant to section 3 of the BHC Act, the Board considers the competitive effects of the proposal; the financial and managerial resources and the future prospects of the institutions involved, as well as the effectiveness of the institutions in combatting money laundering; the effects of the proposal on the convenience and needs of the communities to be served; and the effects of the proposed transaction on the stability of the United States banking or financial system.<sup>3</sup>

Section 4 of the BHC Act generally states that a BHC may not acquire ownership of any company that is not a bank.<sup>4</sup> However, section 4 and the Board's Regulation Y provide that a BHC may engage in certain nonbanking activities or acquire a company engaged in certain nonbanking activities after providing notice to the Board, or, in some cases, without obtaining prior approval or providing prior notice.<sup>5</sup> In circumstances where a prior notice is required pursuant to Regulation Y, the FR Y-4 is the required form for such a notice. In acting on such a proposal, the Board considers whether the notificant's performance of the activities can reasonably be expected to produce benefits to the public (such as greater convenience, increased competition, and gains in efficiency) that outweigh possible adverse effects (such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices). The Board's consideration of these factors includes an evaluation of the financial and managerial resources of the notificant, including its subsidiaries and any company to be acquired, the effect of the proposed transaction on those resources, and the management expertise, internal control and risk-management systems, and capital of the entity conducting the activity.<sup>6</sup>

The Federal Reserve has the sole authority to act on applications and notices filed under sections 3 and 4 of the BHC Act. The information requested for each filing is necessary for the Board to fulfill its responsibilities under the BHC Act. The completed filings are the primary source of comprehensive data on the structure of the proposal, the pro forma financial condition of the filer and its subsidiary(ies), the competitive effects of the proposal, the effect that the proposal would have on the public interest, and, if applicable, the nonbanking activities in which the filer proposes to engage. This information is not available from any other source and is necessary for the Federal Reserve to determine whether a proposed transaction is consistent with the relevant statutory factors for approval under the BHC Act and Regulation Y.

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<sup>1</sup> 12 U.S.C. § 1842(a); 12 CFR 225.11.

<sup>2</sup> See 12 CFR 225.14, 225.17.

<sup>3</sup> See 12 U.S.C. § 1842.

<sup>4</sup> 12 U.S.C. § 1843(a)

<sup>5</sup> See 12 U.S.C. § 1842(c); 12 CFR part 225, subpart C.

<sup>6</sup> See 12 U.S.C. § 1843.

## Description of Information Collection

The FR Y-3, FR Y-3N, and FR Y-4 are event-generated. The application and notification forms collect information concerning proposed BHC formations, acquisitions, mergers, and proposed nonbanking activities. The acquisitions may involve bank, nonbank, and BHC targets. These applications and notifications are submitted to the appropriate Federal Reserve Bank by existing or proposed BHCs.

Certain applicants and notificants that file the FR Y-3, FR Y-3N, or FR Y-4 are required to disclose certain information in the form of a newspaper notification. Applicants that file the FR Y-3 and notificants that file the FR Y-3N pursuant to section 225.14 of Regulation Y are required to publish a notice in a newspaper of general circulation in the community or communities in which the head offices of the largest subsidiary bank, if any, of an applicant and of each bank, shares of which are to be directly or indirectly acquired, are located. Notificants that file the FR Y-4 are required to publish a newspaper notice only in connection with a proposal to acquire a savings association, in the communities in which the head offices of the notificant bank holding company, its largest subsidiary bank, and each savings association to be directly or indirectly acquired is located. Notificants that file the FR Y-3N pursuant to section 225.17 of Regulation Y are not required to publish any newspaper notice.

When required, a newspaper notice must state the name and address of the applicant and its proposed subsidiary, and it must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than fifteen calendar days before and no later than seven calendar days after the date that the application is filed with the appropriate Reserve Bank.

### FR Y-3

Except with regard to acquisitions that qualify for a FR Y-3N prior notice filing, as described below, the FR Y-3 application form must be submitted by:

- a company seeking prior approval to become a BHC through the direct or indirect acquisition of one or more banks, or
- an existing BHC seeking prior approval to (1) take any action that causes a bank to become a subsidiary of the BHC; (2) acquire direct or indirect ownership or control of any voting securities of a bank or bank holding company, if the acquisition results in the company's control of more than 5 percent of the outstanding shares of any class of voting securities of the bank or bank holding company;<sup>7</sup> (3) merge or consolidate with another BHC, or (4) otherwise acquire all or substantially all of the assets of a bank.

The FR Y-3 application requires information on the structure of the proposed transaction, information on competition, convenience and needs, financial stability, and financial and managerial information. The FR Y-3 instructions describe the publication requirements for each application.

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<sup>7</sup> Once a BHC owns more than 50 percent of the outstanding voting securities of a bank, the BHC Act provides that, generally, no further regulatory approval is required to acquire additional shares of the bank. See 12 CFR 225.12(c).

### **FR Y-3N**

The FR Y-3N prior notification form, rather than the FR Y-3 application, may be submitted

- for certain BHC formations described in section 225.17 of Regulation Y, or
- for certain bank acquisitions by existing well-run BHCs, as described in section 225.14 of Regulation Y.

Formation notifications filed under section 225.17 of Regulation Y must be provided in writing and contain a certification that the requirements of 12 U.S.C. 1842(a)(C) and section 225.17(a) of Regulation Y are met. The notification also must contain shareholder information prior to and following the reorganization, management information, and financial information.

Acquisition and merger notifications filed under section 225.14 of Regulation Y must be provided in writing and contain a certification that all of the criteria listed in section 225.14(c) are satisfied. Among other criteria, only well-capitalized and well-managed organizations may use the expedited procedure in section 225.14. Each notification also must contain a description of the transaction and the effect on the convenience and needs of the communities to be served, evidence of publication of the proposed transaction, financial information based on the size of the BHC, managerial and capital information that is dependent on the type of proposal, and competitive information.

Although the FR Y-3N requires the same type of information as the FR Y-3, the FR Y-3N requests less detail. The FR Y-3N instructions describe the publication requirements for notifications filed under section 225.14 of Regulation Y. Notifications filed under section 225.17 do not require public notice.

### **FR Y-4**

The FR Y-4 notification form is completed by a BHC in order to

- acquire the assets or shares of a nonbank company (including a nonbank insured depository institution) and engage in nonbanking activities under section 4(c)(8) of the BHC Act, or
- engage *de novo* in nonbanking activities under section 4(c)(8) of the BHC Act.

These notifications generally require information on the proposed transaction, information on competition and public benefits, and financial and managerial information. For notifications to engage *de novo* in nonbanking activities permissible under Regulation Y, only the name and location of the applicant, the name and location of the company that will perform the activity, the activity to be conducted, and the geographic area to be served must be submitted.

The instructions to the FR Y-4 describe two expedited procedures for certain nonbanking proposals, one of which does not require use of a notification form. The first expedited procedure allows well-run BHCs to file post-consummation notices for proposals to engage *de novo* in

nonbanking activities that have been permitted by regulation.<sup>8</sup> The second procedure allows well-run BHCs (that also meet certain additional criteria in section 225.23(c) of Regulation Y) to seek prior Federal Reserve approval on an expedited timeframe.<sup>9</sup> To use the second procedure, a BHC must file, at the appropriate Reserve Bank and at least 12 business days before effecting the proposed transaction, an FR Y-4 that contains the information required in section 225.23(a) of Regulation Y. Within 12 business days following the filing, the Reserve Bank or the Board may indicate that a non-expedited notification is required under section 225.24 of Regulation Y.

Proposals that do not qualify for the two streamlined procedures are subject to the standard (non-expedited) procedures outlined in section 225.24 of Regulation Y. The informational requirements for such a notification depend on the type of transaction and are contained in sections 225.24(a)(1) and (2) of Regulation Y. To engage *de novo* in permissible nonbanking activities listed in section 225.28 of Regulation Y (listed activities), the BHC must file a notification containing a description of the activities to be conducted, with appropriate legal authorities cited, and the identity of the company that will conduct the activity. To engage *de novo* in nonbanking activities not listed in section 225.28 of Regulation Y but previously approved by the Board (unlisted activities), or to acquire a company engaged in listed or unlisted activities, the notification must include a description of the proposal; the identity of any entity involved in the proposal; a statement of public benefits; certain financial information; a description of management expertise, internal controls, and risk-management systems to be utilized; and a copy of any purchase agreement(s). The FR Y-4 instructions describe the publication requirements for each relevant transaction type.

## **Proposed FR Y-3 and FR Y-4 Revisions**

### **Discussion of Proposed FR Y-3 Revisions**

The Board proposes to implement a number of revisions to the FR Y-3. The proposed changes would reflect new capital regulations, and would include minor changes to improve clarity and accuracy. Recent legislative and regulatory changes implemented a community bank leverage ratio (“CBLR”) framework in 2020, which, if utilized by a qualifying depository institution, eliminates the requirement for the institution to track risk-weighted assets and report risk-based capital ratios.<sup>10</sup> In light of this change, applicants that have elected to utilize the CBLR framework would no longer be required to submit information related to risk-weighted assets or risk-based capital ratios in a FR Y-3 application. Similarly, if the bank subsidiary of an applicant has elected to use the CBLR framework, the applicant would no longer be required to submit in the FR Y-3 information related to the bank’s risk-weighted assets or risk-based capital

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<sup>8</sup> The notificant BHC does not use the FR Y-4 form to satisfy this requirement. Instead, within 10 business days after commencing the activity, the BHC submits in writing to its appropriate Reserve Bank the information and certifications specified in section 225.22(a)(3) of Regulation Y.

<sup>9</sup> The nonbanking proposals that may qualify for this expedited procedure involve a filing (1) to engage *de novo* in any nonbanking activity that the Board has permitted by order or regulation or (2) to acquire voting shares or assets of a going concern engaged in any nonbanking activity that the Board has permitted by order or regulation (except operating a nonbank insured depository institution)..

<sup>10</sup> See 12 CFR 217.12.

ratios. The proposed revisions would simplify the reporting requirements with regard to those banks and BHCs that have elected to utilize the CBLR framework.

### **Discussion of FR Y-4 Revisions**

The Board proposes to implement a number of revisions to the FR Y-4. The proposed changes would improve the clarity and accuracy of the form and instructions. In order to make the form more understandable and to improve the quality of the information submitted, the Board proposes to require a notificant to provide the authority in Regulation Y under which the proposed nonbanking activity is permissible, which would facilitate the Federal Reserve's processing of the notice. The Board further proposes to combine the form and instructions into a single document, with the instructions preceding the FR Y-4 form, in order to provide the notificant with important context.

### **Respondent Panel**

The FR Y-3 and FR Y-3N panel comprises BHCs and a company seeking to become a BHC. The FR Y-4 panel comprises BHCs.

### **Time Schedule for Information Collection**

The application and notifications submitted with these forms are event-generated and the data are not part of any published reporting series. All timeframes are generally dependent upon when the filer chooses to enter into a transaction that requires a submission.

Applicants are strongly encouraged to submit their applications electronically through the Federal Reserve System's web-based application, E-Apps ([www.federalreserve.gov/bankinfo/reg/eapps.htm](http://www.federalreserve.gov/bankinfo/reg/eapps.htm)).<sup>11</sup>

### **Public Availability of Data**

The Board publishes certain information submitted in the FR Y-3, FR Y-3N, and FR Y-4 regarding the parties to and structure of the associated transaction in its H.2 release and in *Federal Register* notices. The Board does not routinely publicly release information collected through these forms. The Board may release non-confidential information included in the FR Y-3, FR Y-3N, or FR Y-4 upon request pursuant to the Freedom of Information Act.

### **Legal Status**

Section 3(a) of the BHC Act requires Board approval for formations, acquisitions, and mergers of bank holding companies.<sup>12</sup> Section 5(b) of the BHC Act authorizes the Board to issue regulations and orders to carry out these functions.<sup>13</sup> These sections of the BHC Act

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<sup>11</sup> The applications may alternatively be submitted in paper form.

<sup>12</sup> 12 U.S.C. § 1842(a).

<sup>13</sup> 12 U.S.C. § 1844(b). In addition, section 5(c) of the BHC Act authorizes the Board to require reports from bank holding companies. 12 U.S.C. § 1844(c).

provide the legal authorization for the FR Y-3 and the FR Y-3N. Section 4(j) of the BHC Act requires bank holding companies to give prior written notice to the Board of any acquisition of a nonbank company or commencement of any nonbanking activities.<sup>14</sup> This section of the BHC Act provides the legal authorization for the FR Y-4.

The obligation to respond to the FR Y-3, Y-3N, and Y-4 is required to obtain a benefit.

To the extent a respondent submits nonpublic commercial or financial information in connection with the FR Y-3, Y-3N, or Y-4, which is both customarily and actually treated as private by the respondent, the respondent may request confidential treatment pursuant to exemption 4 of the Freedom of Information Act (FOIA).<sup>15</sup> To the extent a respondent submits personal, medical, or similar files, the disclosure of which would constitute an unwarranted invasion of privacy, the respondent may request confidential treatment pursuant to exemption 6 of the FOIA.<sup>16</sup> If a respondent requests confidential treatment, the Board will determine whether the information is entitled to confidential treatment on a case-by-case basis. The entity should separately designate any such information as “confidential commercial information” or “confidential financial information” and the Board will treat such designated information as confidential to the extent permitted by law, including the FOIA. To the extent a respondent submits information related to examination, operating, or condition reports prepared by, on behalf of, or for the use of a financial supervisory agency, the information would be confidential pursuant to exemption 8 of the FOIA.<sup>17</sup>

### **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

### **Public Comments**

On April 16, 2021, the Board published an initial notice in the *Federal Register* (86 FR 20149) requesting public comment for 60 days on the extension, with revision, of the FR Y-3, FR Y-3N, and FR Y-4. The comment period for this notice expires on June 15, 2021.

### **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR Y-3, FR Y-3N, and FR Y-4 is 7,519 hours and would decrease to 7,454 hours with the proposed revisions. The current burden estimates are based on the number of applications and notifications, including post-consummation notices, received in 2018 and 2019. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

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<sup>14</sup> 12 U.S.C. § 1843(j).

<sup>15</sup> 5 U.S.C. § 552(b)(4).

<sup>16</sup> 5 U.S.C. § 552(b)(6).

<sup>17</sup> 5 U.S.C. § 552(b)(8).

	<i>Estimated number of respondents</i> 18	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b><i>Current</i></b>				
<i>Reporting</i>				
<b>FR Y-3</b>				
New BHCs	72	1	49	3,528
Existing BHCs	58	1	59.5	3,451
<b>FR Y-3N</b>				
Notices	21	1	4	84
<b>FR Y-4</b>				
Complete notification	22	1	11	242
Expedited notification	8	1	5	40
Post-consummation	1	1	0.5	1
<i>Total Reporting</i>				7,346
<i>Disclosure</i>				
<b>FR Y-3</b>	130	1	1	130
<b>FR Y-3N</b>	21	1	1	21
<b>FR Y-4 (complete notification)</b>	22	1	1	22
<i>Total Disclosure</i>				173
<i>Total Current</i>				7,519
<b><i>Proposed</i></b>				
<i>Reporting</i>				
<b>FR Y-3</b>				
New BHCs	72	1	48.5	3,492
Existing BHCs	58	1	59	3,422
<b>FR Y-3N</b>				
Notices	21	1	4	84
<b>FR Y-4</b>				
Complete notification	22	1	11	242
Expedited notification	8	1	5	40
Post-consummation	1	1	0.5	1
<i>Total proposed reporting</i>				7,281
<i>Total disclosure</i>				173
<i>Total proposed</i>				7,454
<i>Difference</i>				-65

<sup>18</sup> Of the respondents, 145 are considered small entities (58 FR Y-3 section 3(a)(1) filers, 46 FR Y-3 sections 3(a)(3) and 3(a)(5) filers, 17 FR Y-3N sections 3(a)(1), 3(a)(3), and 3(a)(5) filers, 18 FR Y-4 complete notification filers; 6 FR Y-4 expedited notification filers, and 0 FR Y-4 post-consummation filers) as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), [www.sba.gov/document/support-table-size-standards](https://www.sba.gov/document/support-table-size-standards).



The estimated total annual cost to the public for these collections of information is \$434,222 and would decrease to \$430,469.<sup>19</sup>

### **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 collecting and processing these information collections is negligible.

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<sup>19</sup> 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 \$71, 15% Lawyers at \$70, 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 2019, published March 31, 2020, [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/)