

# **Supporting Statement for the Reporting and Recordkeeping Requirements Associated with Regulation W (FR W; OMB No. 7100-0304)**

## **Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, without revision, the Reporting and Recordkeeping Requirements Associated with Regulation W (FR W; OMB No. 7100-0304). The Board's Regulation W - Transactions Between Member Banks and Their Affiliates (12 CFR Part 223), implements sections 23A and 23B of the Federal Reserve Act (FRA) by defining terms used in the statute, explaining the statute's requirements, and exempting certain transactions from certain restrictions on transactions between member banks and their affiliates. The reporting and recordkeeping requirements of FR W are triggered by specific events.

FR W filings are required from insured depository institutions and uninsured member banks (collectively, depository institutions)<sup>1</sup> that seek to request certain exemptions from the requirements of sections 23A and 23B. The FR W is separate from the quarterly Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates (FR Y-8; OMB No. 7100-0126), which collects information on transactions between an insured depository institution and its affiliates that are subject to section 23A of the FRA.

The estimated total annual burden for the FR W is 56 hours. There is no formal reporting form for this information collection.

## **Background and Justification**

Sections 23A and 23B of the FRA are designed to protect a depository institution from exposure arising from certain transactions with affiliates.<sup>2</sup> They also limit the ability of an insured depository institution to transfer the subsidy arising from access to the federal safety net to such affiliates. Sections 23A and 23B apply, by their terms, to banks that are members of the Federal Reserve System (member banks). As discussed in footnote 1, other federal law subjects insured nonmember banks and insured thrifts to sections 23A and 23B in the same manner and to the same extent as member banks.

As discussed below, the regulation includes provisions requiring the reporting of information to the Board under certain circumstances. This information is not available from other sources and is critical to the Federal Reserve and other federal banking agencies being able

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<sup>1</sup> Sections 23A and 23B of the FRA and Regulation W apply by their terms to "member banks;" that is, any national bank, state bank, trust company, or other institution that is a member of the Federal Reserve System. In addition, the Federal Deposit Insurance Act (12 U.S.C. § 1828(j)) applies sections 23A and 23B to insured state nonmember banks in the same manner and to the same extent as if they were member banks. The Home Owners' Loan Act (12 U.S.C. §1468(a)) also applies sections 23A and 23B to insured savings associations in the same manner and to the same extent as if they were member banks (and imposes two additional restrictions). See generally 12 CFR 223.1.

<sup>2</sup> See 12 U.S.C. §§ 371c and 371c-1.

to determine whether a depository institution is complying with sections 23A and 23B of the FRA and Regulation W and whether a proposed transaction is financially sound and consistent with the public interest.

## **Description of Information Collection**

### **Reporting Requirements**

**Loan participation renewal notice (Section 223.15(b)(4)).** Generally, a depository institution is prohibited from purchasing a low-quality asset, as defined by Regulation W, from an affiliate unless, pursuant to an independent credit evaluation, the depository institution had committed itself to purchase the asset before the time the asset was acquired by the affiliate. However, a depository institution may renew or extend additional credit with respect to a loan participation if the loan was not a low-quality asset at the time the depository institution purchased its participation, and if certain other requirements are met. One such requirement is that the participating depository institution must provide its appropriate federal banking agency with a written notice of the renewal of, or the extension of additional credit in connection with, a low-quality asset not later than 20 calendar days after consummation.

**Acquisition notice (Section 223.31(d)(4)).** In general, a depository institution's acquisition of a security issued by a company that was an affiliate of the depository institution before the acquisition is treated as a purchase of assets from an affiliate if, as a result of the transaction, the company becomes an operating subsidiary of the depository institution and the company has liabilities or the depository institution gives cash or any other consideration in exchange for the security. However, such a transaction is exempt from the requirements of Regulation W if it is a "step transaction," as described in section 223.31(d) of Regulation W. One of the requirements for this exemption is that the depository institution must notify the appropriate federal banking agency and the appropriate Reserve Bank of its intention to acquire the company at or before the time that the company becomes an affiliate of the depository institution.

**Internal corporate reorganization transactions notice (Section 223.41(d)(2)).** An internal corporate reorganization transaction is exempt from the quantitative limits and collateral requirements of Regulation W if certain conditions are met. The depository institution involved must provide the appropriate federal banking agency and the appropriate Reserve Bank with written notice of the transaction before consummation. The notice must describe the primary business activities of the affiliate and indicate the proposed date of the asset purchase.

**Additional exemptions from the requirements of section 23A (Section 223.43(b)).** The Board may, at its discretion, by regulation or order, exempt transactions or relationships from the requirements of section 23A if it finds such exemptions to be in the public interest and consistent with the purposes of section 23A. A state member bank may request an exemption by submitting a written request to the General Counsel of the Board. Other depository institutions should contact their federal supervisor to determine the procedures that the institution needs to follow. The request must describe in detail the transaction or relationship for which the state member bank seeks exemption, explain why the Board should exempt the transaction or

relationship, and explain how the exemption would be in the public interest and consistent with the purposes of section 23A.

### **Recordkeeping Requirements**

**Purchasing certain marketable securities (Section 223.42(f)(6)).** Certain transactions with affiliates are exempt from the quantitative limits, collateral requirements, and low-quality asset prohibition of Regulation W. This section exempts from those restrictions certain purchases by a depository institution of securities from a securities affiliate if, among other requirements, the depository institution maintains, for a period of two years, records and supporting information that are sufficient to enable the appropriate federal banking agency to ensure the depository institution's compliance with the terms of the exemption.

**Purchasing municipal securities (Section 223.42(g)(3)).** This section exempts from the restrictions on affiliate transactions purchases by a depository institution of municipal securities from a securities affiliate if, among other requirements, the price of the security is quoted routinely on an unaffiliated electronic service that provides indicative data from real-time financial networks, and the price paid for the security can be verified by reference to the written summary provided by the syndicate manager to syndicate members that discloses the aggregate par values and prices of all bonds sold from the syndicate account, so long as the depository institution obtains a copy of the summary from its securities affiliate and retains the summary for three years.

The Board understands that respondents use information technology to comply with these requirements by storing records digitally and submitting these notices electronically to the appropriate Reserve Bank.<sup>3</sup>

### **Respondent Panel**

The FR W panel comprises insured depository institutions and uninsured member banks.<sup>4</sup>

### **Frequency and Time Schedule**

The notifications required under Regulation W are event-generated and must be provided to the appropriate federal banking agency and, if applicable, the appropriate Reserve Bank within the time periods established by the law, as discussed above. The recordkeeping requirements of Regulation W are event-generated and their record retention schedules are also outlined above.

### **Public Availability of Data**

No data collected by this information collection are published.

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<sup>3</sup> Respondents may choose to submit and store these records in hard copy format.

<sup>4</sup> See supra note 1.

## **Legal Status**

Sections 23A and 23B of the FRA authorize the Board to issue these requirements (12 U.S.C. §§ 371c(f) and 371c-1(e)). Compliance with the FR W requirements is required to obtain a benefit.

Information provided on the Loan Participation Renewal notice is confidential under exemption 4 of the Freedom of Information Act (FOIA) as confidential commercial or financial information that is both customarily and actually treated as private (5 U.S.C. § 552(b)(4)). Information provided on the Acquisition notice, the Internal Corporate Reorganization Transaction notice, and the Section 23A Additional Information request generally is not considered confidential, but respondents may request confidential treatment under exemption 4 of FOIA if the information is confidential commercial or financial information that is both customarily and actually treated as private. Information collected under the FR W may also be considered confidential under FOIA exemption 8 if it is obtained as part of an examination or supervision of a financial institution (5 U.S.C. § 552(b)(8)).

## **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

## **Public Comments**

On November 15, 2024, the Board published an initial notice in the *Federal Register* (89 FR 90283) requesting public comment for 60 days on the extension, without revision, of the FR W. The comment period for this notice expired on January 14, 2025. The Board did not receive any comments. The Board adopted the extension, without revision, of the FR W as originally proposed. On April 2, 2025, the Board published a final notice in the *Federal Register* (90 FR 14445).

## **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR W is 56 hours. The number of respondents is based on the average number of FR W filings received in the past 3 years. The burden estimate was produced using the standard Board burden calculation methodology. These reporting and recordkeeping requirements represent less than 1 percent of the Board's total paperwork burden.

<b>FR W</b>	<i>Estimated number of respondents<sup>5</sup></i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Reporting</b>				
Section 223.15(b)(4)	2	1	2	4
Section 223.31(d)(4)	2	1	6	12
Section 223.41(d)(2)	2	1	6	12
Section 223.43(b)	2	1	10	20
<b>Recordkeeping</b>				
Section 223.42(f)(6)	2	1	2	4
Section 223.42(g)(3)	2	1	2	<u>4</u>
<i>Total</i>				56

The estimated total annual cost to the public for the FR W is \$4,040.<sup>6</sup>

### **Sensitive Questions**

This information collection 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.

<sup>5</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support-table-size-standards>.

<sup>6</sup> Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at \$24, 45% Financial Managers at \$87, 15% Lawyers at \$88, and 10% Chief Executives at \$126). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2024*, published April 2, 2025, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.